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

**If you have sold or transferred** all your shares in **Shell Electric Mfg. (Holdings) Company Limited**, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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This circular is for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Group.

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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)**

**DISCLOSEABLE AND CONNECTED TRANSACTION****ACQUISITION OF 20% EQUITY INTEREST  
IN JODRELL INVESTMENTS LIMITED**

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

**AMS Corporate Finance Limited**

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A letter from the Board is set out on pages 5 to 19 of this circular and a letter from the Independent Board Committee is set out on page 20 of this circular.

A letter from AMS Corporate Finance Limited, the independent financial adviser to the Independent Board Committee and the independent Shareholders, containing its advice, is set out on pages 21 to 38 of this circular.

20th December, 2006

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## DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares and the Shareholder’s Loan by the Purchaser from the Vendor pursuant to the terms and conditions of the Agreement
“Agreement”	the sale and purchase agreement dated 23rd October, 2006 entered into between the Purchaser, the Vendor and the Guarantor in relation to the Acquisition
“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
“BVI”	the British Virgin Islands
“China EverBright Real Estate”	中國光大房地產開發有限公司(China EverBright Real Estate Development Limited), a company incorporated in PRC with limited liability. It is currently held as to 70% by Jodrell and 30% by an Independent Third Party
“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 Acquisition
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Completion Date”	the tenth 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 Vendor and the Purchaser in writing
“connected person(s)”	has the meaning ascribed to it under the Listing Rules

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## DEFINITIONS

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“Consideration”	the aggregate consideration for the Acquisition in the amount of approximately HK\$140.1 million
“Consideration Shares”	25,000,000 Shares, being Shares to be issued for the value of HK\$60,000,000 calculated by reference to the Issue Price
“Deed of Assignment of Shareholder’s Loan”	the deed of assignment of the Shareholder’s Loan to be entered into between the Purchaser, the Vendor and Jodrell
“Deed of Termination”	the deed of termination to be entered into between the Vendor, Tigerlily and Jodrell terminating the shareholders’ agreement dated 6th August, 2004 and the supplemental shareholders’ agreement dated 7th June, 2005, both entered into between the Vendor, Tigerlily and Jodrell
“Deposit”	a sum of HK\$20,000,000 paid to the Vendor on the next Business Day following the signing of the Agreement
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Guarantor”	Mr. Wang Tao Guang, a director of Jodrell as at the Latest Practicable Date
“HK GAAP”	the Generally Accepted Accounting Principles of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee comprising all the independent non-executive Directors established to consider and advise the independent Shareholders as to whether the terms of the Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole
“Independent Third Party (ies)”	person(s), or in the case of corporations, the corporation and their ultimate beneficial owner(s), who is (are) independent of and not connected with the Company and its subsidiaries, any of the connected persons or any of their respective associates
“Issue Price”	HK\$2.40 per Share

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## DEFINITIONS

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“Jin Hua Xing”	北京金華星置業有限公司(Beijing Jin Hua Xing Properties Company Limited*), a company incorporated in the PRC with limited liability. It is currently held as to 51% by 北京光大房地產開發有限公司(Beijing EverBright Real Estate Development Company Limited*), a company incorporated in the PRC and a wholly-owned subsidiary of China EverBright Real Estate and 49% by an Independent Third Party
“Jodrell”	Jodrell Investments Limited, a company incorporated in BVI with limited liability, which is owned by Tigerlily and the Vendor as to 80% and 20% respectively as at the Latest Practicable Date
“Latest Practicable Date”	15th December, 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Listing Approval”	approval by the Stock Exchange for the listing of and permission to deal in the Consideration Shares
“PRC”	the People’s Republic of China
“Purchaser”	Fast City Limited, a company incorporated in the Cayman Islands with limited liability and a wholly-owned subsidiary of the Company
“Sale Shares”	two ordinary shares of US\$1 each in the share capital of Jodrell 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 Jodrell to the Vendor in the amount of HK\$17,598,649.39, which is unsecured, interest-free and repayable on demand

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## DEFINITIONS

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“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tigerlily”	Tigerlily Overseas Limited, a company incorporated in BVI, the entire issued share capital of which is indirectly owned by the Company
“Valuation Report”	the valuation report issued by Messrs. Knight Frank Petty Limited, an independent firm of professional valuers, on an open market existing use basis, on all the property interests held by subsidiaries and jointly controlled entities of Jodrell as at 31st October, 2006
“Vendor”	Richwood Trading Limited, a company incorporated in BVI with limited liability
“Zhong Shun”	北京中順超科房地產開發有限公司(Beijing Zhong Shun Chao Ke Property Development Company Limited*), a company incorporated in the PRC with limited liability. It is currently held as to 70% by Jin Hua Xing and 30% by Independent Third Parties
“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
“%”	per cent.

*Amounts denominated in RMB in this circular have been translated into HK\$ at a rate of RMB1.00=HK\$0.9848 for illustration purposes.*

\* For identification purpose only

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## LETTER FROM THE BOARD

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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)**

*Directors:*

Mr. Billy K YUNG

*(Group Chairman and Chief Executive)*

Dr. The Hon Leo Tung-Hai LEE, *GBM, GBS, Cav Gr Cr, OBE,*

*Chev Leg d'Hon, Comm Leopold II, LLD, JP<sup>+</sup>*

Mr. Shiu-Kit NGAI, *SBS, OBE, JP<sup>+</sup>*

Madam YUNG HO Wun Ching

Mr. LEUNG Chun Wah

Mr. Plato POON Chak Sang

Mr. Eddie HURIP

Mr. Simon YUNG Kwok Choi<sup>#</sup>

Mr. Peter WONG Chung On<sup>+</sup>

Mr. Peter LAM<sup>+</sup>

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Shell Industrial Building

12 Lee Chung Street

Chai Wan Industrial District

Hong Kong

<sup>#</sup> *non-executive Director*

<sup>+</sup> *independent non-executive Director*

20th December, 2006

*To the Shareholders*

Dear Sir or Madam,

### **DISCLOSEABLE AND CONNECTED TRANSACTION ACQUISITION OF 20% EQUITY INTEREST IN JODRELL INVESTMENTS LIMITED**

#### **INTRODUCTION**

On 26th October, 2006, the Directors announced that on 23rd October, 2006, the Agreement was entered into between the Vendor, the Purchaser and the Guarantor, pursuant to which, the Purchaser has conditionally agreed to acquire from the Vendor (i) the Sale Shares, being 20% of

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## LETTER FROM THE BOARD

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the issued share capital of Jodrell, and (ii) the Shareholder's Loan, at an aggregate consideration of approximately HK\$140.1 million. The said consideration will be satisfied by issuing Consideration Shares of HK\$60 million at a price of HK\$2.40 per Share and the balance of approximately HK\$80.1 million by cash.

Based on the financials of Jodrell and the Company, three of the applicable percentage ratios (as calculated in accordance with Rule 14.07 of the Listing Rules) for the Acquisition are more than 5% but less than 25% and the other ratios are below 5%. The Acquisition constituted a discloseable transaction to the Company under Rule 14.06(2) of the Listing Rules. Given the Vendor is a substantial shareholder of the subsidiary of the Company and thus a connected person of the Company, the transaction will also constitute a connected transaction under Rule 14A.13 (1) (a) of the Listing Rules.

Since no Shareholder is interested in the Acquisition, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for considering and, if thought fit, approving the Acquisition.

Members of the Yung's family (being Mr. Billy K YUNG (25,331,000 Shares, representing approximately 5.06%), Madam YUNG HO Wun Ching (53,196,300 Shares, representing approximately 10.63%), On Fat Profits Corporation (72,716,797 Shares, representing approximately 14.53%) and Diamond Key Enterprises Inc. (118,612,287 Shares, representing approximately 23.70%), who have no interest in the Acquisition other than their interests as Shareholders holding in aggregate 269,856,384 Shares, representing approximately 53.92% of the existing issued share capital of the Company), have issued on 26th October, 2006 a written certificate to the Company to approve the Acquisition in lieu of a general meeting pursuant to Rule 14A.43 of the Listing Rules. Submission has been made by the Company to confirm that Mr. Billy K YUNG, Madam YUNG HO Wun Ching, On Fat Profits Corporation and Diamond Key Enterprises Inc. are a closely allied group of shareholders (with reference to the criteria set out in Rule 14.45 of the Listing Rules), as (1) Madam YUNG HO Wun Ching is the mother of Mr. Billy K YUNG; (2) both On Fat Profits Corporation and Diamond Key Enterprises Inc. are wholly owned by UBS Trustees (BVI) Limited as trustee of a trust with Mr. Billy K YUNG's family members as beneficiaries; (3) Madam YUNG HO Wun Ching is a Shareholder since 1984, Mr. Billy K YUNG is a Shareholder since July 2005, On Fat Profits Corporation is a Shareholder since February 2005 and Diamond Key Enterprises Inc. is a Shareholder since June 2000 per the SFO-Disclosure of Interest record (the date disclosed in the announcement issued by the Company on 26th October, 2006 was incorrectly quoted); (4) they are parties acting in concert for the purpose of the Hong Kong Code on Takeovers and Mergers; and (5) they (being Madam YUNG HO Wun Ching, On Fat Profits Corporation and Diamond Key Enterprises Inc.) have voted together in the past on shareholders' resolutions other than routine resolutions at an annual general meeting (namely for the major



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## LETTER FROM THE BOARD

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transaction in May 2005). Due to the reasons mentioned above, waiver application has been made by the Company to the Stock Exchange and the Stock Exchange has granted a waiver from strict compliance with Rule 14A.43 of the Listing Rules (i.e. written independent shareholders' approval is accepted in lieu of holding a general meeting).

On 26th October, 2006, the date of the aforesaid submission made to the Stock Exchange, Mr. Billy K Yung was personally interested in 25,331,000 Shares, representing approximately 5.06% of the existing issued share capital of the Company. On 2nd and 3rd November, 2006, Mr. Billy K Yung purchased a total of 767,000 Shares from the market and increased his personal interest to an aggregate of 26,098,000 Shares, representing approximately 5.21% of the existing issued share capital of the Company as described in paragraph "3 (a) (i) Long position in the shares of the Company" in Appendix II to this circular.

On the other hand, an independent board committee comprising all the independent non-executive Directors has been established to consider and advise the independent Shareholders as to whether the terms of the Agreement are normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. AMS Corporate Finance Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the independent Shareholders in this respect.

The purpose of this circular is to provide you with the relevant information regarding the Acquisition.

### THE AGREEMENT

**(i) Date**

23rd October, 2006

**(ii) Parties**

Vendor: Richwood Trading Limited, a company incorporated in BVI with limited liability. It is an investment holding company

Purchaser: Fast City Limited, a company incorporated in the Cayman Islands with limited liability and a wholly-owned subsidiary of the Company. It is an investment holding company

Guarantor: Mr. Wang Tao Guang, a director of Jodrell as at the Latest Practicable Date

Given the Vendor is a substantial shareholder of Jodrell, an 80% owned subsidiary of the Company, it is thus a connected person of the Company.

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## LETTER FROM THE BOARD

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### **(iii) Subject of the Acquisition**

Pursuant to the Agreement, the Purchaser has conditionally agreed to acquire from the Vendor (i) the Sale Shares, being 20% of the issued share capital of Jodrell, and (ii) the Shareholder's Loan.

### **(iv) Consideration**

The Consideration of HK\$140,072,800 will be satisfied in the following manner:

- (a) the Deposit was paid to the Vendor on the next Business Day following the signing of the Agreement by way of cash, among which HK\$2,401,350.61 will be used towards partial payment for the Sale Shares and HK\$17,598,649.39 will be used towards payment for the entire Shareholder's Loan at Completion;
- (b) RMB61,000,000 (equivalent to approximately HK\$60.1 million) in cash by way of telegraphic transmission to the Vendor (or its nominee) towards partial payment of the Sale Shares at Completion; and
- (c)
  - (1) on the basis that the Board has approved the issue and allotment of the Consideration Shares and the Listing Approval is obtained prior to Completion, by procuring the Company to issue to the Vendor (or its nominee) the Consideration Shares at the Issue Price as partial payment for the Sale Shares at Completion. Such number of Consideration Shares shall represent HK\$60,000,000 calculated based on the Issue Price. The Consideration Shares will be issued under the general mandate to allot, issue and deal with Shares granted to the Directors by resolution of the Shareholders passed at the annual general meeting of the Company held on 30th May, 2006; or
  - (2) if the Board has not approved the issue and allotment of the Consideration Shares or 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\$60,000,000 in cash to the Vendor at Completion.

The Consideration was negotiated between the Vendor and the Purchaser on arm's length basis. The Consideration was determined with reference to (i) the actual amount of the outstanding Shareholders' Loan and the preliminary valuation report with regard to all the property assets of China EverBright Real Estate as at 31st August, 2006 carrying an estimated market value at the existing state of approximately RMB4 billion (approximately HK\$3.9 billion) and (ii) the consideration of HK\$500,833,800 paid by the Group for the acquisition of 100% Tigerlily (which holds 80% Jodrell) from an Independent Third Party in June 2005. The sole assets of Tigerlily at all time is its 80% interest in Jodrell. The book cost of the property interests held by subsidiaries and jointly controlled entities of Jodrell as at 30th June, 2006 were approximately HK\$2,286 million. A copy of the Valuation Report (which covers all the property interests held by subsidiaries and jointly controlled entities of Jodrell) is set out in Appendix I to this circular.

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## LETTER FROM THE BOARD

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The aforesaid estimated market value of the property assets of China EverBright Real Estate as at 31st October, 2006 of approximately RMB3.3 billion (approximately HK\$3.2 billion) only represents the market value of those properties of which China EverBright Real Estate, its subsidiaries or jointly controlled entities have obtained proper legal titles (namely property numbered 1 to 6, 9 and 10, 12 to 15 set out in the Valuation Report in Appendix I to this circular). The independent valuer of the Valuation Report has assigned zero commercial value to those properties that China EverBright Real Estate, its subsidiaries or jointly controlled entities have yet to obtain proper legal titles (namely property numbered 7, 8 and 11 set out in the Valuation Report in Appendix I to this circular). Certain part of property numbered 2 and 5 are either subject to settlement of the outstanding late payment of land premium or complete demolition and resettlement. Once the outstanding late payment of land premium is settled or complete demolition and resettlement, there should not be any legal obstacle to obtain the relevant land use right certificates. With regard to certain part of property numbered 7 (as described in note 12 (ii) to such property set out in the Valuation Report), the Company's PRC legal adviser is of the opinion that such part of the property is not obtained by auction, tender or public listing, legality and validity of the contract with a site area of 724,395.515 sq. m. might be affected. In addition, the relevant subsidiary of the Group may not obtain the land use right certificate for the remaining site with an area of 380,717.506 sq. m.

The estimate amount of additional capital requirement for the payment of the outstanding late payment of land premium, the land premium for enlarged gross floor area, the outstanding consideration under the land use right transfer contract, and the related demolition and resettlement expense, but excluding the development cost of the property assets and payments which cannot be ascertained or have not been committed as at the Latest Practicable Date, of the attributable interest of the relevant property assets of China EverBright Real Estate, its subsidiaries or jointly controlled entities are approximately RMB277.0 million (approximately HK\$272.80 million) and such amount have already been deducted from the value of the existing state of the relevant property in the course of preparing the Valuation Report.

As indicated in the Valuation Report, the properties set out therein are in various stages of development and further capital commitment will be required for payment of land premium, demolition and resettlement, or development costs. The Company is presently intended that any additional capital requirement for the development of the properties will be financed by the internal resources of, or borrowings by, China EverBright Real Estate, its subsidiaries or jointly controlled entities. Taking into account the fact that (i) Jodrell is already an 80%-owned subsidiary of the Company and the Acquisition involves only an additional 20% equity interest in Jodrell (i.e. effectively 14% interest in China EverBright Real Estate); (ii) the Group intends to finance any such capital requirement by its internal resources or additional borrowings; and (iii) the additional capital requirement will span over several years of the development plans of the properties, the Group does not expect that any additional capital requirement arising from the additional interests in the properties under the Acquisition will pose undue pressure on the Group's financial position.

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## LETTER FROM THE BOARD

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The estimated deferred tax impact and the outstanding payables for those property assets totalling approximately RMB1.7 billion (approximately HK\$1.7 billion) are to be borne by China EverBright Real Estate. The estimated difference between the estimated value of the property assets and the estimated amount of payables and deferred tax impact will be approximately RMB1.6 billion (approximately HK\$1.5 billion). Although (i) the unaudited net asset value of Jodrell and its subsidiaries as at 31st December, 2005 was not significant (as described in paragraph headed “Information on Jodrell” below), (ii) the fact that Jodrell Group has yet to obtain the land use right certificates for certain of its property interests as disclosed in the Valuation Report, and such land use right certificates are obtainable as soon as the relevant project company of the Jodrell Group has settled the outstanding late payment of land premium or completed demolition and resettlement; (iii) the fact that certain units held by the Jodrell Group which are subject to court order due to certain disputes with the bank are now classified as “no commercial value”; and (iv) the possible legal consequences and/or financial exposure that may arise to the Group in obtaining proper legal title of such properties referred to in the paragraph above and in respect of the situation referred to in (iii) above; by taking into account the basis of the Consideration as mentioned above, and the reasons for and benefits of the Acquisition, the Directors consider that the Consideration payable is justifiable and the terms and conditions of the Agreement (including the Consideration) are on normal commercial terms and are fair and reasonable as far as the Shareholders are concerned as a whole.

Up to the Latest Practicable Date, the Company has not utilised the general mandate to allot, issue and deal with a maximum of 100,096,912 Shares since granted to the Directors by resolution of the Shareholders would at the annual general meeting of the Company held on 30th May, 2006.

The Acquisition will be funded by internal resources of the Group and, on the basis that the Listing Approval can be obtained prior to Completion, HK\$60 million by way of issue of the Consideration Shares.

Since the Shareholder’s Loan is interest-free and the amount will remain unchanged from now to Completion, there will be no adjustment to the Consideration at Completion.

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## LETTER FROM THE BOARD

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Based on the closing price of HK\$2.85 per Share as at the Latest Practicable Date, the Consideration Shares would have a value of HK\$71,250,000.

On 28th June, 2005, the Company completed the acquisition of the entire interest in Tigerlily, which in turn is interested in 80% of the issued share capital of Jodrell, from an Independent Third Party at an aggregate consideration of approximately HK\$500.8 million. Details of the transaction are set out in an announcement and a circular issued by the Company dated 10th May, 2005 and 28th June, 2005 respectively. The aggregate consideration for the said transaction was stated as HK\$505,183,800 in the circular dated 28th June, 2005, which was a combination of HK\$439,933,800 cash and HK\$65,250,000 worth of 43,500,000 consideration shares issued at a price of HK\$1.50 per share. At the date of issuing the said consideration shares, the market price was HK\$1.40 per share. Accordingly, the value of acquiring the entire issued share capital of Tigerlily, which in turn, is interested in 80% of the issued share capital of Jodrell, was HK\$500,833,800 as recorded in the accounts of the Company.

**(v) Shareholding structure of the Company**

The table below illustrates the shareholding structure of the Company immediately prior to 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> )	334,300,735	66.79	334,300,735	63.62
Other Directors ( <i>Note 2</i> )	9,144,982	1.83	9,144,982	1.74
Public	157,038,845	31.38	157,038,845	29.88
Vendor	0	0.00	25,000,000	4.76
Total	<u>500,484,562</u>	<u>100.00</u>	<u>525,484,562</u>	<u>100.00</u>

*Notes:*

- Members of the Yung's family include Madam YUNG HO Wun Ching, Mr. Billy K YUNG, Mr. Simon YUNG Kwok Choi and late Dr. YUNG Yau.
- Directors other than Directors who are part of the Yung's family, namely Mr. LEUNG Chun Wah, Mr. Plato POON Chak Sang, Dr. Leo Tung-Hai LEE and Mr. Peter LAM.

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## LETTER FROM THE BOARD

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

The Issue Price of HK\$2.40 per Consideration Share represents:

- a discount of approximately 15.8% to the closing price of HK\$2.85 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- a discount of approximately 5.5% to the closing price of HK\$2.54 per Share as quoted on the Stock Exchange on 20th October, 2006, the last trading day prior to the date of the Agreement;
- a discount of approximately 2.7% to the average closing price of HK\$2.466 per Share for the 5 consecutive trading days up to and including 20th October, 2006; and
- a discount of approximately 47.4% to the unaudited net asset value of the Group of approximately HK\$4.56 per Share as at 30th June, 2006, the date of the Group's latest published unaudited consolidated balance sheet.

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

**(vi) Conditions precedent**

Completion is conditional upon satisfaction of the following conditions:

- (a) the passing of resolution by the Shareholders approving the Agreement and the transactions contemplated thereunder in accordance with the requirements under the Listing Rules (such approval can be given by the shareholders in general meeting or by way of shareholders' written resolution);
- (b) the Purchaser having obtained a legal opinion issued by BVI legal advisers to the Vendor confirming, among other matters, the power and capacity of the Vendor to transfer the Sale Shares and the Shareholder's Loan;
- (c) the Vendor having entered into the Deed of Termination;
- (d) the Vendor having entered into the Deed of Assignment of Shareholder's Loan;
- (e) the board of Jodrell having resolved at its board meeting to approve the completion of the matters set out in the Agreement;

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## LETTER FROM THE BOARD

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- (f) there having been no material adverse change since the date of signing the Agreement; and
- (g) there having been no material breach of any warranty (or, there having been no breach of warranty which is capable of being remedied but has not been remedied).

**(vii) Completion**

Subject to the fulfillment or waiver of the conditions precedent (except condition precedent (a) which cannot be waived) above, Completion will take place on the Completion Date. The long stop date of the Agreement is 30th November, 2006 or such other date as the Purchaser and the Vendor may agree. Due to the reasons set out below, the Purchaser and the Vendor have mutually agreed to extend the Completion Date to no later than 30th December, 2006:

1. As at 29th November, 2006, some information with regard to the property interests held by subsidiaries and jointly controlled entities of Jodrell still remained outstanding and required further clarification. As such, the Company did not issue the circular to Shareholders with regard to the Acquisition (the “Circular”) as originally scheduled on 29th November, 2006.
2. According to the schedule of the Company, the Circular (containing a valuation on all the property interests held by subsidiaries and jointly controlled entities of Jodrell) should be issued on or before 29th November, 2006. As such, the valuation as at 31st August, 2006 was prepared by Messrs. Knight Frank Petty Limited, an independent firm of professional valuers, on an open market existing use basis.
3. According to Rule 5.07 of the Listing Rules, the validity period of a valuation report must not be more than three months before the date of the Circular. The abovementioned valuation as at 31st August, 2006 was only valid till 30th November, 2006. Since the Circular was not issued on 30th November, 2006, the Company has to update the valuation to 31st October, 2006 for incorporation into the Circular.
4. As a result, additional time is required by (i) the Company and its advisers to prepare and provide additional information for the independent property valuer and the legal advisers of the Company on PRC law to update their relevant report or legal opinion; (ii) the independent property valuer to update the valuation as at 31st October, 2006; and (iii) the legal advisers of the Company on PRC law to update their legal opinion with regard to the legal status of the property interests held by subsidiaries and jointly controlled entities of Jodrell as at 31st October, 2006.

As at the Latest Practicable Date, all the conditions precedent have been fulfilled or waived.

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## LETTER FROM THE BOARD

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If Completion does not take place due to a higher proposed amount for the transfer of the Sale Shares and/or the Shareholder's Loan than the Consideration by the Vendor, the Vendor shall return the Deposit in cash to the Purchaser without interest and pay an amount of HK\$20,000,000 in cash as additional liquidated damages to the Purchaser ("**Return and Compensation Obligations**"). Both the Deposit and the additional liquidated damages shall be paid within 7 days following the date on which a written termination notice is issued by the Purchaser to the Vendor.

In consideration of the Purchaser agreeing to enter into the Agreement, the Guarantor unconditionally and irrevocably guarantees to the Purchaser the due and punctual performance and observance by the Vendor of its obligations pursuant to the Return and Compensation Obligations and agrees to indemnify the Purchaser against all losses, liabilities, costs, (including without limitation legal costs) charges, expenses, actions, proceedings, claims and demands which the Purchaser may suffer through or arising from any breach by the Vendor of its obligations under the Return and Compensation Obligations.

If Completion does not take place due to any default by the Vendor, the Vendor shall return the Deposit in cash to the Purchaser without interest. The Deposit shall be returned within 7 days following the date on which a written termination notice is issued by the Purchaser to the Vendor. If however Completion does not take place due to any default by the Purchaser, the Vendor shall be entitled to forfeit the Deposit.



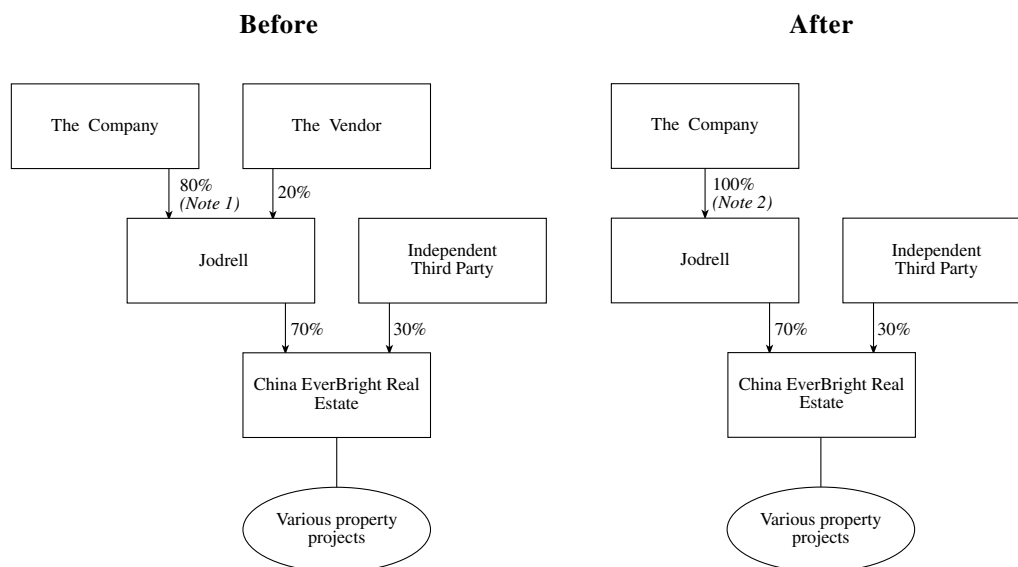
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## LETTER FROM THE BOARD

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### INFORMATION ON JODRELL

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



Notes:

1. Jodrell is an indirectly held 80% owned subsidiary of the Company.
2. Jodrell is an indirectly held wholly-owned subsidiary of the Company.

Following completion of the Agreement, the Group will become the holder of the entire issued share capital of Jodrell. The accounts of Jodrell will continue to be consolidated into the accounts of the Group.

So far as the Directors are aware, (i) the Vendor is a company incorporated in BVI with limited liability and is principally engaged in investment holding. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, apart from the Consideration Shares, the Vendor (including its ultimate beneficial owners) and their respective associates do not have any interest in the Shares or in rights or options convertible into Shares; and (ii) the Guarantor and his associates do not have any interest in the Shares or in rights or options convertible into Shares.

Jodrell is an investment holding company and its sole asset is its 70% interest in China EverBright Real Estate. China EverBright Real Estate is an investment holding and property development company. As at the Latest Practicable Date, China EverBright Real Estate has subsidiaries, jointly controlled entities and investments in other companies and their principal activities are namely investment holding, and/or property development.

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## LETTER FROM THE BOARD

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China EverBright Real Estate is an investment holding and property development company. As at the Latest Practicable Date, China EverBright Real Estate has 9 property projects/land reserves on hand located in Beijing, Guangzhou, Shanghai, Guilin, Hefei and Hohhot held through its subsidiaries and jointly controlled entities (i.e. properties 1 to 12 as described in the Valuation Report set out in Appendix I to this circular). With regard to properties 13 to 14 as described in the Valuation Report set out in Appendix I to this circular, they are properties held for investment. As to property 15 of the Valuation Report set out in Appendix I to this circular, they are properties held for owner-occupation. All the projects/land reserves are residential and commercial complex and the majority of which are held under development and held for future development.

The unaudited consolidated financial information of Jodrell for the two years ended 31st December, 2005 and the six months ended 30th June, 2006 based on the HK GAAP (without taking into account of any revaluation of the property assets held by Jodrell and its subsidiaries) were as follows:

	<b>For the year</b>		<b>For the</b>
	<b>ended 31st December,</b>		<b>six months</b>
	<b>2004</b>	<b>2005</b>	<b>ended</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<b>30th June,</b>
			<b>2006</b>
			<i>HK\$'000</i>
Profit/(loss) before taxation and minority interest items	40,979	113,482	(57,445)
Profit/(loss) after taxation and minority interest items	19,484	72,141	(40,079)
	<b>As at</b>		<b>As at</b>
	<b>31st December,</b>		<b>30th June,</b>
	<b>2004</b>	<b>2005</b>	<b>2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net asset value	19,484	71,945	36,928

Jodrell was established in April 2003 by the Vendor and Tigerlily, an indirect wholly-owned subsidiary of the Company. Jodrell was initially established with an issued share capital of US\$1, then increased to US\$10 in August 2004. The funds used to acquire 70% equity interest in China EverBright Real Estate were contributed by Tigerlily and the Vendor as shareholder's loan in proportion to their respective shareholdings in Jodrell as described below. The balance of the shareholders' loan of Jodrell as at the Latest Practicable Date was HK\$179,279,000. (HK\$17,598,600 from the Vendor and HK\$161,680,400 from Tigerlily). Tigerlily and the Vendor used Jodrell as a vehicle to acquire 70% equity interest in China EverBright Real Estate. During 2004, Jodrell acquired 70% equity interest in China EverBright Real Estate for a consideration of HK\$87,994,000, the payment of which was financed by Tigerlily and the Vendor as to HK\$70,395,200 and HK\$17,598,800 respectively in proportion to their respective shareholding in Jodrell. Tigerlily and the Vendor contributed such sum as shareholder's loan to Jodrell. At that time, China EverBright Real Estate's property assets were 6 property projects/land reserves located in Beijing, Guangzhou, Shanghai and Hefei, and were either raw land or at different stage of development.

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## LETTER FROM THE BOARD

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On 21st August, 2006, 北京光大房地產開發有限公司(Beijing EverBright Real Estate Development Company Limited\*), a company incorporated in the PRC and a wholly-owned subsidiary of China EverBright Real Estate, completed the acquisition of 51% registered capital in Jin Hua Xing from an Independent Third Party at a consideration of RMB125 million (approximately HK\$121.9 million). Details of this acquisition are disclosed in an announcement issued by the Company dated 8th November, 2006.

Jin Hua Xing is interested in 70% registered capital in Zhong Shun. Zhong Shun, a company incorporated in the PRC and engaged in property developments, is the sole owner of a piece of land having a site area of approximately 14,150 square metres located at Nos. 11 – 15 Xueyuan South Road, Haidian District, Beijing, the PRC. It is planned to be developed into a residential and commercial building/complex with a gross floor area of approximately 114,940 square metres for sale and/or rental. As at the Latest Practicable Date, this project was yet to be developed. Details of this project is set out in property numbered 9 of the Valuation Report in Appendix I to this circular.

Since the acquisition of 51% registered capital in Jin Hua Xing was completed on 21st August, 2006, the abovementioned unaudited consolidated financial information of Jodrell for the two years ended 31st December, 2005 and for the six months ended 30th June, 2006 did not include the financial information of Jin Hua Xing and Zhong Shun.

The following is the consolidated financial information on Jin Hua Xing for the two years ended 31st December, 2004 and 2005 and the seven months ended 31st July, 2006 respectively (prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”)).

	<b>Year ended</b>	<b>Year ended</b>	<b>Seven months</b>
	<b>31/12/2004</b>	<b>31/12/2005</b>	<b>ended</b>
	<b>(unaudited)</b>	<b>(audited)</b>	<b>31/7/2006</b>
	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
Turnover	–	–	–
Gross profit/(loss)	–	–	–
Net (loss)	(22,104)	(18,738)	(6,212)
	<b>As at</b>	<b>As at</b>	<b>As at</b>
	<b>31/12/2004</b>	<b>31/12/2005</b>	<b>31/7/2006</b>
	<b>(audited)</b>	<b>(audited)</b>	<b>(audited)</b>
	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
Net (liabilities)	(1,833)	(20,118)	(26,330)

Since there was no valuation for the property interests held by Jin Hua Xing through Zhong Shun as at 31st July, 2006, the carrying value of such property interests were their cost.

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## LETTER FROM THE BOARD

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### REASONS FOR AND BENEFITS OF THE ACQUISITION

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

The Acquisition will further enhance the Group's strategic position in the initiative to expand into the fast growing PRC real estate development market by increasing the Group's indirect equity interest in China EverBright Real Estate from 56% in 2005 to 70% after the Acquisition.

### POSSIBLE FINANCIAL EFFECTS TO THE GROUP ARISING FROM THE AGREEMENT

#### (i) Corporate structure

Upon Completion, Jodrell will become a wholly-owned subsidiary of the Company. As Jodrell's financial results have already been consolidated into the Group upon completion of the acquisition in June 2005, the only effect as a result of this transaction is the release of the minority interest.

#### (ii) Shareholding structure of the Company

Immediately upon Completion and assuming 25,000,000 Consideration Shares were issued and allotted to the Vendor, the interest of the existing Shareholders will be diluted by approximately 4.76%.

#### (iii) Financial effects of the Acquisition

The Board believes that the Acquisition will not give rise to any material effect on the earnings, working capital, gearing ratio and the assets and liabilities of the Group.

### RECOMMENDATION

AMS Corporate Finance Limited has been appointed to advise the Independent Board Committee and the independent Shareholders as to whether the terms and conditions of the Agreement are normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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A letter from AMS Corporate Finance Limited to the Independent Board Committee and the independent Shareholders is reproduced on pages 21 to 38 of this circular. Having considered the factors and reasons set out in its letter, AMS Corporate Finance Limited is of the view that the transactions as contemplated under the Agreement are fair and reasonable so far as the independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, AMS Corporate Finance Limited recommends that the Independent Board Committee and the independent Shareholders should vote for the resolution to approve the transactions as contemplated under the Agreement as if the Company were to convene a general meeting for considering and, if thought fit, approving the Acquisition.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the Appendices to this circular.

Yours faithfully,

For and on behalf of

**Shell Electric Mfg. (Holdings) Company Limited**

**Billy K YUNG**

*Group Chairman and Chief Executive*

\* *For identification purpose only*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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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)**

20th December, 2006

*To the independent Shareholders,*

Dear Sir or Madam,

We refer to the circular dated 20th December, 2006 issued by the Company (the “Circular”), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

The Independent Board Committee has been established by the Board for the purpose of advising the independent Shareholders in connection with the Acquisition, details of which are set out in the “Letter from the Board” in the Circular. The Independent Board Committee comprises all independent non-executive Directors. AMS Corporate Finance Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the independent Shareholders regarding the Acquisition. Details of the advice from AMS Corporate Finance Limited together with the principal factors and reasons taken into consideration in arriving at such advice, are set out on pages 21 to 38 of the Circular.

Having considered the details of the Acquisition, the interests of the independent Shareholders, the principal factors and reasons considered by AMS Corporate Finance Limited and the advice of AMS Corporate Finance Limited, we consider that the terms of the Acquisition as contemplated under the Agreement are on normal commercial terms and are fair and reasonable so far as the independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

Accordingly, we would recommend the independent Shareholders to vote for the resolution to approve the transaction contemplated under the Agreement as if the Company were required to convene a general meeting for considering and, if thought fit, approving the Acquisition.

Yours faithfully,

Independent Board Committee

**Dr. Leo Tung-Hai LEE**

**Mr. Shiu-Kit NGAI**

**Mr. Peter WONG Chung On**

**Mr. Peter LAM**

*Independent non-executive Directors*

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## LETTER FROM AMS CORPORATE FINANCE LIMITED

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*The following is the full text of the letter to the Independent Board Committee and the independent Shareholders in respect of the Agreement from AMS Corporate Finance Limited for the purpose of incorporation into this circular.*



博資財務顧問有限公司  
AMS Corporate Finance Limited

20th Floor  
Hong Kong Diamond Exchange Building  
8-10 Duddell Street  
Central  
Hong Kong

20 December 2006

*To the Independent Board Committee and the independent Shareholders of  
Shell Electric Mfg. (Holdings) Company Limited*

Dear Sirs,

### **DISCLOSEABLE AND CONNECTED TRANSACTION**

#### **INTRODUCTION**

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the independent Shareholders in respect of the Agreement, details of which are set out in the letter from the Board (the “Letter from the Board”) contained in the circular dated 20 December 2006 issued by the Company to the Shareholders (the “Circular”), of which this letter forms part. This letter contains our advice to the Independent Board Committee and the independent Shareholders in respect of the Agreement. Unless otherwise stated, terms defined in the Circular have the same meanings in this letter.

On 26 October 2006, the Board announced that the Agreement was entered into among the Purchaser (i.e. Fast City Limited, a wholly-owned subsidiary of the Company), the Vendor and the Guarantor on 23 October 2006, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares (which represents 20% of the issued share capital of Jodrell) and the Shareholder’s Loan (which represents the amount due by Jodrell to the Vendor in the sum of HK\$17,598,649.39 as at the date of the Agreement) for an aggregate consideration of HK\$140,072,800. The Guarantor, being a director of Jodrell as at the date of the Agreement, has also agreed to unconditionally and irrevocably guarantee to the Purchaser the due and punctual performance and observance by the Vendor of its obligations pursuant to the Return and Compensation Obligations.

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## LETTER FROM AMS CORPORATE FINANCE LIMITED

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As at the date of the Agreement, Jodrell was beneficially owned by the Company and the Vendor as to 80% and 20%, respectively. Being a substantial shareholder of Jodrell, which is a subsidiary of the Company, the Vendor is considered to be a connected person of the Company and the Acquisition constitutes a connected transaction of the Company under the Listing Rules which is subject to, among other things, the independent shareholders' approval requirement. However, since no Shareholder is interested in the Acquisition, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for considering and, if thought fit, approving the Acquisition. In this connection, Mr. Billy K Yung, Madam Yung Ho Wun Ching, On Fat Profits Corporation and Diamond Key Enterprises Inc., who are Shareholders holding in aggregate 269,856,384 Shares (representing approximately 53.92% of the existing issued share capital of the Company) and have no interest in the Acquisition other than their interests as Shareholders, issued on 26 October 2006 a written certificate to the Company to approve the Acquisition, and an application has been made by the Company to the Stock Exchange from strict compliance with Rule 14A.43 of the Listing Rules. Accordingly, the Company will not be required to convene a general meeting to consider and approve the transaction contemplated under the Agreement as prescribed in Rule 14A.43 of the Listing Rules.

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the independent Shareholders as to whether the Acquisition is in the interests of the Company and the Shareholders as a whole and whether the terms of the Agreement are fair and reasonable. As the independent financial adviser to the Independent Board Committee and the independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the independent Shareholders as to whether or not the Acquisition is in the interests of the Company and the Shareholders as a whole, and whether or not the terms of the Agreement are fair and reasonable.

Apart from the normal advisory fee payable to us in connection with our appointment as the independent financial adviser to the Independent Board Committee and the independent Shareholders, no arrangement exists whereby we shall receive any other fees or benefits from the Company. We are independent of the Company for the purposes of Rule 13.84 of the Listing Rules.

### **BASIS OF OUR OPINION**

In formulating our opinion, we have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Company and the Directors. We have assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided by the Company and the Directors and for which they are solely and wholly responsible, were true and accurate at the time they were made and continue to be so at the date hereof. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the



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## LETTER FROM AMS CORPORATE FINANCE LIMITED

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information provided and the representations made to us untrue, inaccurate or misleading. The Directors have confirmed, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading. We consider that we have reviewed sufficient information which enables us to form a reasonable basis for our opinion. We also consider that we have performed all reasonable steps as required under Rule 13.80 of the Listing Rules to ascertain the reliability of the information provided to us and to form our opinion. We have not, however, conducted any independent verification of the information provided, nor have we carried out any in-depth investigation into the business and affairs of the Group or any parties to the Agreement and the markets in which they respectively operate.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

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

#### 1. **Background information and reasons for the Agreement**

##### *a. Information on the Group*

The principal activities of the Group include (i) the manufacture and marketing of electric fans, vacuum cleaners, electric cables and other electrical household appliances; (ii) the EMS (Electronic Manufacturing Services) business; and (iii) property investment and development in the PRC. In addition, the Group trades in securities, operates a taxi company and invests in technology companies. Set out below is a summary of the published financial results of the Group for each of the

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## LETTER FROM AMS CORPORATE FINANCE LIMITED

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two financial years ended 31 December 2004 and 2005 and the six months ended 30 June 2006 which are extracted from the Company's annual reports for 2004 and 2005 and interim report for 2006:–

	For the year ended		For the six	
	31 December		months ended 30 June	
	2004	2005	2005	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited and restated)	(Audited)	(Unaudited and restated)	(Unaudited)
Revenue – continuing operations				
– Manufacture and marketing of electric fans, vacuum cleaners and other electrical household appliances, and EMS business	1,058,762	1,117,386	688,437	712,567
– Manufacture and trading of electric cables	40,097	40,505	15,700	15,863
– Leasing of properties	60,653	62,328	30,814	36,780
– Property investment and development	–	73,348	–	7,320
– Taxi rental operation	13,618	15,069	7,354	8,088
– Development and trading of computer hardware and software	3,624	9,532	3,270	8,871
	<u>1,176,754</u>	<u>1,318,168</u>	<u>745,575</u>	<u>789,489</u>
Revenue – discontinued operations				
– Manufacture and trading of steel pipes	17,118	34,504	17,431	–
– Steel processing	47,999	–	–	–
– Toll road operation	15,363	–	–	–
	<u>80,480</u>	<u>34,504</u>	<u>17,431</u>	<u>–</u>
Total revenue	1,257,234	1,352,672	763,006	789,489
Operating (loss)/profit	(69,146)	145,680	64,144	70,614
Profit attributable to Shareholders	137,883	157,171	79,219	41,980

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## LETTER FROM AMS CORPORATE FINANCE LIMITED

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As noted from the above table, for each of the two years ended 31 December 2005 and the six months ended 30 June 2006, the manufacture and marketing of electric fans, vacuum cleaners and other electrical appliances represented the Group's major business segment and accounted for over 80% of its total revenue from the continuing operations. The property related business (being property leasing and property investment and development) was the Group's second largest business segment.

For the year ended 31 December 2005, the Group recorded total revenue of approximately HK\$1,352.7 million of which approximately HK\$1,318.2 million was attributable to the continuing operations and approximately HK\$34.5 million was attributable to the discontinued operations. As compared to the Group's total revenue of approximately HK\$1,176.8 million from the continuing operations for 2004, the total revenue of approximately HK\$1,318.2 million from the continuing operations for 2005 represented an increase of approximately 12%, which was mainly attributable to the increase of approximately HK\$58.6 million in the revenue from the manufacture and marketing of electrical appliances as well as the recognition of a new revenue of approximately HK\$73.3 million from the property investment and development business in the PRC.

For the year ended 31 December 2005, the Group's operating results returned to profitability with an operating profit of approximately HK\$145.7 million, whereas there was an operating loss of approximately HK\$69.1 million for the preceding year. As noted from the Company's annual reports, the operating loss of the Group for the year ended 31 December 2004 was mainly due to the impairment losses of approximately HK\$191.0 million recognised on the Group's investments in securities not held for trading, intangible assets, taxi licences and property, plant and equipment. For the year ended 31 December 2005, profit attributable to Shareholders amounted to approximately HK\$157.2 million, representing an increase of approximately 14.0% compared to approximately HK\$137.9 million for the preceding year.

For the six months ended 30 June 2006, the Group recorded total revenue of approximately HK\$789.5 million, representing an increase of approximately 5.9% from the total revenue of approximately HK\$745.6 million in respect of the same business segments (i.e. those from the continued operations) for the corresponding six-month period in 2005. Operating profit of the Group for the six months ended 30 June 2006 amounted to approximately HK\$70.6 million, representing an increase of approximately 10.1% from approximately HK\$64.1 million for the corresponding six-month period in 2005. However, due to the share of the losses of the jointly controlled entities of approximately HK\$48 million, the profit attributable to the Shareholders for the six months ended 30 June 2006 decreased by approximately 47.0% to approximately HK\$42.0 million from HK\$79.2 million for the corresponding six-month period in 2005.

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## LETTER FROM AMS CORPORATE FINANCE LIMITED

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As noted in the Company's annual reports, while the manufacture and marketing of electrical household appliances such as ceiling fans, table fans and vacuum cleaners has been the Group's largest business segment in terms of revenue, the property leasing and property investment and development businesses represent the major contributors to the Group's profit before taxation and minority interests and a significant portion of the Group's total assets comes from the property sector. In particular, profit from property leasing and property development accounts for approximately 52% and 65% of the Group's profit before taxation and minority interests for each of the two years ended 31 December 2004 and 2005, respectively. As at 31 December 2005, the Group's segment assets and interests in associates in respect of property leasing and property investment and development represented approximately 73.4% of its total consolidated assets.

***b. Reasons for the Agreement***

Following the acquisition of Tigerlily (which holds 80% equity interests in Jodrell) by the Group in June 2005 (details of which are set out in the Company's circular of 28 June 2005), Jodrell has since then become an indirect 80%-owned subsidiary of the Company. The sole asset of Jodrell is its 70% shareholding interests in China EverBright Real Estate, which is an investment holding and property development company. As disclosed in the Company's announcement of 8 November 2006, on 21 August 2006, China EverBright Real Estate completed the acquisition of 51% registered capital in Beijing Jin Hua Xing Properties Company Limited ("Jin Hua Xing") from an independent third party at a consideration of RMB125 million (equivalent to approximately HK\$121.9 million). The principal asset of Jin Hua Xing is its 70% interest in the registered capital of Beijing Zhong Shun Chao Ke Property Development Company Limited ("Zhong Shun"), which is a property development company incorporated in the PRC. As at the Latest Practicable Date, the principal asset of Zhong Shun was a piece of land having a site area of approximately 14,150 square metres located at Nos. 11 – 15 Xueyuan South Road, Haidian District, Beijing, the PRC. Having taken into account the aforesaid acquisition, China EverBright Real Estate had, as at the Latest Practicable Date, nine property projects/land reserves on hand located in Beijing, Guangzhou, Shanghai, Guilin, Hefei and Hohhot, the PRC held through its subsidiaries and jointly controlled entities. Completion of the Agreement will render Jodrell to become an indirect wholly-owned subsidiary of the Company, which will in turn further increase the Company's interest in China EverBright Real Estate.

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## LETTER FROM AMS CORPORATE FINANCE LIMITED

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As stated in the Letter from the Board, the Acquisition will further enhance the Group's strategic position in the initiative to expand into the fast growing real estate market in the PRC. The Group's indirect equity interests in China EverBright Real Estate will increase from 56% in 2005 to 70% after the Acquisition and the Acquisition will enable the Company to control fully the board of directors of Jodrell. Accordingly, the Board is of the view that the Acquisition is in the interests of the Company and the Shareholders as a whole.

In view of the Group's acquisition of the 80% shareholding interests in Jodrell in June 2005 and the growing significance of the property portfolio among the Group's principal assets, it is evident that the Group has been actively expanding its businesses with focuses on the real estate market in the PRC. As at the date of the Agreement, Jodrell and China EverBright Real Estate were already indirect subsidiaries of the Company. Given the strategic development of the Group and the purpose of the Acquisition to increase the Group's stake in various real estate development projects and land reserves in the PRC, we are of the view that the Acquisition is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

### **2. Valuation of the 20% equity interests in Jodrell**

As mentioned above, Jodrell is an investment holding company and its sole asset is its 70% interests in China EverBright Real Estate, which is an investment holding and property development company and currently has nine property projects/land reserves on hand located in Beijing, Guangzhou, Shanghai, Guilin, Hefei and Hohhot, the PRC held through its subsidiaries and jointly controlled entities. As stated in the Letter from the Board, all the projects/land reserves of China EverBright Real Estate are residential and commercial complex and the majority of which are held under development or held for future development. Particulars of the property interests held by China EverBright Real Estate and its subsidiaries and jointly controlled entities (the "Property Interests") are set out in the valuation report by Knight Frank Petty Limited (the "Valuation Report") contained in Appendix I to the Circular in connection with the property valuation of China EverBright Real Estate and its subsidiaries and jointly controlled entities as at 31 October 2006.

As stated in the Letter from the Board, the consideration of HK\$140,072,800 under the Agreement was determined by the relevant parties after arm's length negotiations with reference to (i) the actual amount of the outstanding Shareholders' Loan and the preliminary valuation report with regard to all the property assets of China EverBright Real Estate as at 31 August 2006 carrying an estimated value at the then existing state of approximately RMB4 billion (approximately HK\$3.9 billion) and (ii) the consideration of HK\$500,833,800 paid by the Group for the acquisition of Tigerlily (which holds 80% interests in Jodrell) from an independent third party in June 2005.

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## LETTER FROM AMS CORPORATE FINANCE LIMITED

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In order to assess the fairness and reasonableness of the consideration under the Agreement and given that the principal assets of Jodrell are the Property Interests, we consider it appropriate and reasonable to make reference to the net asset value of Jodrell and the market value of the Property Interests. As set out in the Letter from the Board, the unaudited net asset value of Jodrell as at 30 June 2006, which has been prepared in accordance with the generally accepted accounting principles of Hong Kong and without taking into account any revaluation of the property assets held by Jodrell or its subsidiaries or jointly controlled entities, was approximately HK\$36.9 million. Having taken into account the adjustments in relation to (i) the subsequent acquisition of 51% registered capital of Jin Hua Xing by China EverBright Real Estate in August 2006 mentioned above; (ii) the revaluation of the underlying properties of China EverBright Real Estate which was attributable to the effective interests held by Jodrell as at 31 October 2006; and (iii) the impact of the property revaluation on deferred tax and minority interests, the unaudited adjusted net asset value of Jodrell, i.e. the equity attributable to the equity holders of Jodrell, as at 30 June 2006 would be approximately HK\$739.9 million. It should be noted that such unaudited adjusted net asset value of Jodrell as at 30 June 2006, which is prepared by the management of the Company, is for the purpose of analysing the consideration under the Agreement only.

Based on the aforesaid adjusted net asset value of Jodrell of approximately HK\$739.9 million as at 30 June 2006, the consideration of approximately HK\$140.1 million under the Agreement represents a discount of approximately 15.4% to the aggregate amount of approximately HK\$165.6 million, being the sum of 20% of the aforesaid unaudited net asset value of Jodrell of approximately HK\$739.9 million as at 30 June 2006 and the outstanding amount of the Shareholder's Loan of approximately HK\$17.6 million as at the date of the Agreement. As stated in the Letter from the Board, the Shareholder's Loan is interest-free and the outstanding amount of which of approximately HK\$17.6 million as at the date of the Agreement will remain unchanged until Completion.

In view of the basis for determining the consideration under the Agreement as discussed above, it should be noted that the market value of the Property Interests, on which the net asset value of Jodrell is principally based, is the dominant factor in the determination of the consideration. We understand from the Company that the market value of the Property Interests has been arrived at on the basis of the property valuation carried out by Knight Frank Petty Limited (the "Valuer") as set out in the Valuation Report. In this connection, we have reviewed the Valuation Report. We have also discussed with the Valuer and note from the Valuation Report that the valuation on all properties which are under development and for future development (except for Property No. 1 in the Valuation Report) has been conducted on the basis that such properties will be developed and completed in accordance with the Company's latest development proposals. In arriving at the market value, the Valuer has made reference to comparable transactions in the locality and also taken into account the construction costs that will be expended to reflect the quality of the completed developments. As regards Property No. 1, due to its scientific research purpose for which the buildings and

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## LETTER FROM AMS CORPORATE FINANCE LIMITED

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structures have been constructed, there is no readily identifiable market comparable and the relevant valuation has therefore been conducted on the basis of the depreciated replacement cost, i.e. the current cost of the replacement or reproduction of a property less deductions for physical deterioration and all relevant forms of obsolescence and optimisation.

As regards the valuation on properties which are held for disposal, for investment or for owner-occupation, the Valuer has adopted the direct comparison approach with reference to market comparable transactions as available on the market. For Properties Nos. 10, 13 and 14 in the Valuation Report, the valuation has been based on capitalisation of the net income shown on the documents of tenancy details provided by the Company and on the assumptions that the rents are fixed at the then prevailing market rent.

Based on our review of the Valuation Report and our discussions with the Valuer, we note that the total commercial value of the Property Interests as at 31 October 2006 was approximately RMB3,333.8 million (equivalent to approximately HK\$3,283.1 million). We also note from the Valuation Report that the Valuer has not attributed any commercial value to certain Property Interests, namely the west wing of Property No. 2, Phase F2 of Property No. 5, and the whole of Properties Nos. 7, 8 and 11, as either the relevant parties have not yet obtained the land use right certificates for those Property Interests or the land use rights of the relevant Property Interests cannot be transferred.

As stated in the Valuation Report, the relevant party has not yet settled the balance of the late payment of approximately RMB18.4 million for the west wing of Property No. 2 as requested by Guangzhou Land Resources Bureau. However, the Company's PRC legal adviser is of the opinion that there should not be material legal obstacle in applying for the land use right certificate for the west wing of Property No. 2 upon the settlement of such outstanding late payment. In addition, due to the proposed development plan for Property No. 2 with a total gross floor area of 254,843 sq. m. which has exceeded the total gross floor area stated in the relevant land use right grant contract, the relevant party has to pay additional land premium of approximately RMB91.0 million for the enlarged gross floor area. As stated in the Valuation Report, the market value of the entire Property No. 2 as at 31 October 2006 was estimated at RMB2,380.0 million on the assumption that the land use rights of the entire property have been obtained and the land premium and late payment have been fully settled. Accordingly, having deducted the late payment and the additional land premium of approximately RMB18.4 million and RMB91.0 million respectively, the market value of the entire Property No. 2, i.e. including the west wing, would be approximately RMB2,270.6 million (equivalent to approximately HK\$2,236.1 million).

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## LETTER FROM AMS CORPORATE FINANCE LIMITED

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As regards Property No. 5, the relevant party has fully settled the land premium under all the relevant land use right grant contracts. However, due to the outstanding works in relation to the demolition and resettlement for Phase F2 of the Property No. 5, the land use right certificate for that portion of the site has not been applied for. As stated in the Valuation Report, the Company's PRC legal adviser is of the opinion that there should not be material legal obstacle in applying for the land use right certificate for Phase F2 of Property No. 5 upon completion of demolition and resettlement on the said land. Based on the information contained in the Valuation Report, the market value of Phase F2 of Property No. 5 in its existing state as at 31 October 2006 was estimated at RMB690.0 million on the assumption that the cost for the demolition and resettlement has been fully settled. Based on the estimation by the Company, the total cost for the demolition and resettlement will be approximately RMB390.0 million. Accordingly, having deducted such estimated outstanding cost for the demolition and resettlement from the valuation, the market value of Phase F2 of Property No. 5 would be approximately RMB300.0 million (equivalent to approximately HK\$295.4 million).

For Properties Nos. 7, 8 and 11 to which no commercial value has been attributed by the Valuer, we note from the Valuation Report that the relevant party has either not settled the land premium, or not completed the registration of the title documents and therefore the relevant Property Interests cannot be transferred. As we cannot ascertain whether there will be material obstacles to obtain proper legal titles of Properties Nos. 7, 8 and 11, we have not considered the valuation of these Property Interests by the Valuer in our analysis.

Having considered the circumstances of the west wing of Property No. 2 and Phase F2 of Property No. 5 and the PRC legal opinions as mentioned above, we consider that it would be reasonable to take into account the market value of the west wing of Property No. 2 and Phase F2 of Property No. 5 net of the outstanding land premium and late payment in assessing the consideration under the Agreement. Accordingly, for the purpose of our analysis, we consider it reasonable to make reference to the adjusted net asset value of Jodrell as at 30 June 2006 of approximately HK\$739.9 million as mentioned above which has taken into account the market value of the west wing of Property No. 2 and Phase F2 of Property No. 5 as at 31 October 2006. For reference only, the total market value of the Property Interests as at 31 October 2006 taken in our analysis is approximately RMB4,067.1 million (equivalent to approximately HK\$4,005.3 million), which is higher than their total commercial value of approximately RMB3,333.8 million (equivalent to approximately HK\$3,283.1 million) as stated in the Valuation Report.



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## LETTER FROM AMS CORPORATE FINANCE LIMITED

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In summary, we consider that the methodologies applied by the Valuer are consistent with market practice and based on our discussions with the Company and the Valuer and considering the nature of the properties being valued, we have been satisfied that the methodology and assumptions applied by the Valuer in its valuation are fair and reasonable. Given that the consideration of approximately HK\$140.1 million under the Agreement represents a discount of about 15.4% to the proportional share of the adjusted net asset value of Jodrell after taking into account the subsequent acquisition of Jin Hua Xing by China EverBright Real Estate and the valuation of Property Interests as at 31 October 2006, we consider that such consideration under the Agreement is fair and reasonable.

### 3. Principal terms of the Agreement

Pursuant to the Agreement, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares (which represents 20% of the issued share capital of Jodrell) and the Shareholder's Loan (which represents the amount due by Jodrell to the Vendor in the sum of HK\$17,598,649.39 as at the date of the Agreement) for an aggregate consideration of HK\$140,072,800, which will be satisfied in the following manner:—

- (a) a cash deposit of HK\$20,000,000 (i.e. the Deposit) was paid to the Vendor on the next Business Day following the signing of the Agreement, of which HK\$2,401,350.61 will be used towards partial payment for the Sale Shares and HK\$17,598,649.39 will be used towards payment for the entire Shareholder's Loan at Completion;
- (b) RMB61,000,000 (equivalent to approximately HK\$60.1 million) in cash by way of telegraphic transmission to the Vendor (or its nominee) towards partial payment of the Sale Shares at Completion; and
- (c) on the basis that the Board has approved the issue and allotment of the Consideration Shares and the Listing Approval is obtained prior to Completion, by procuring the Company to issue to the Vendor (or its nominee) 25,000,000 Consideration Shares at the issue price of HK\$2.40 per Consideration Share (i.e. the Issue Price) as partial payment for the Sale Shares at Completion; or if the Board has not approved the issue and allotment of the Consideration Shares or 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\$60,000,000 in cash to the Vendor at Completion.

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## LETTER FROM AMS CORPORATE FINANCE LIMITED

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Pursuant to the Agreement, if Completion does not take place due to a higher proposed amount for the transfer of the Sale Shares and/or the Shareholder's Loan than the Consideration by the Vendor, the Vendor shall return the Deposit in cash to the Purchaser without interest and pay an amount of HK\$20,000,000 in cash as additional liquidated damages to the Purchaser (i.e. the Return and Compensation Obligations). Both the Deposit and the additional liquidated damages shall be paid within seven days following the date on which a written termination notice is issued by the Purchaser to the Vendor.

In consideration of the Purchaser agreeing to enter into the Agreement, the Guarantor unconditionally and irrevocably guarantees to the Purchaser the due and punctual performance and observance by the Vendor of its obligations pursuant to the Return and Compensation Obligations and agrees to indemnify the Purchaser against all losses, liabilities, costs, (including without limitation legal costs) charges, expenses, actions, proceedings, claims and demands which the Purchaser may suffer through or arising from any breach by the Vendor of its obligations under the Return and Compensation Obligations.

If Completion does not take place due to any default by the Vendor, the Vendor shall return the Deposit in cash to the Purchaser without interest. The Deposit shall be returned within seven days following the date on which a written termination notice is issued by the Purchaser to the Vendor. On the other hand, if Completion does not take place due to any default by the Purchaser, the Vendor shall be entitled to forfeit the Deposit.

As noted in the Letter from the Board, the Issue Price was arrived at after arm's length negotiations between the parties and by reference to the prevailing market prices of the Shares. The Issue Price of HK\$2.40 per Consideration Share represents:

- (i) a discount of approximately 5.5% to the closing price of HK\$2.54 per Share as quoted on the Stock Exchange on 20 October 2006, being the last trading day (the "Last Trading Day") prior to date of the Agreement;
- (ii) a discount of approximately 2.7% to the average closing price of approximately HK\$2.466 per Share for the five consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 1.5% to the average closing price of approximately HK\$2.437 per Share for the ten consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 4.4% over the average closing price of approximately HK\$2.510 per Share for the month up to and including the Last Trading Day;

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## LETTER FROM AMS CORPORATE FINANCE LIMITED

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- (v) a discount of approximately 8.42% to the closing price of HK\$2.59 per Share as quoted on the Stock Exchange on 27 October 2006, being the first trading day immediately after publication of the announcement in respect of the Acquisition;
- (vi) a discount of approximately 15.79% to the closing price of HK\$2.85 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (vii) a discount of approximately 47.4% to the unaudited net asset value of the Group of approximately HK\$4.56 per Share as at 30 June 2006, being the date of the Group's latest published unaudited consolidated balance sheet.

As shown above, the Issue Price represents a discount of up to about 8% to the average closing prices per Share for different time intervals prior to the Last Trading Day, and a discount of approximately 47% to the unaudited net asset value of the Group as at 30 June 2006. In general, for cases involving the issue of new shares by a listed company, it is a common practice to evaluate the issue price of the shares by comparison with the subscription/placing prices of recent share placements, including placing of new shares and top-up placement, carried out by other listed companies in order to assess its fairness and reasonableness. However, in the present case, the proposed issue of 25,000,000 Consideration Shares at the Issue Price of HK\$2.40 per Consideration Share, amounting to a sum of HK\$60 million, is for the partial settlement of the consideration under the Agreement. Accordingly, it may not be appropriate or relevant to compare the Issue Price with the subscription/placing prices of the general share placements carried out by other listed companies in the recent market which are fund-raising exercises in nature. In addition, we consider that the Issue Price, as one of the terms of the Agreement, should be assessed together with all other terms of the Agreement as a whole.

Having considered that (i) as far as the Company is concerned, the consideration of approximately HK\$140.1 million under the Agreement is fair and reasonable since it represents a discount of about 15.4% to the net asset value of Jodrell as adjusted by the valuation of the Property Interests; (ii) the Issue Price of HK\$2.40 only represents a slight discount of about 1.5% to the average closing price of approximately HK\$2.437 per Share for the ten consecutive trading days up to and including the Last Trading Day; and (iii) based on our review of the historical market prices of the Shares during the six-month period prior to the Last Trading Day, they were all substantially below the respective net asset value per Share based on the consolidated balance sheet of the Group as at 31 December 2005 and 30 June 2006, we are of the view that the Issue Price of HK\$2.40 per Consideration Share, which has been arrived at after arm's length negotiations between the relevant parties by reference to the prevailing market prices of the Shares, is fair and reasonable.

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## LETTER FROM AMS CORPORATE FINANCE LIMITED

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In summary, having considered the principal terms of the Agreement including the basis for determining the consideration under the Agreement which is essentially based on the valuation of the properties interests held by Jodrell; the settlement arrangements for the consideration under the Agreement; and the basis for determining the Issue Price for the Consideration Shares, we are of the view that the Acquisition is on normal commercial terms which are fair and reasonable.

#### **4. Financial effects of the Agreement**

##### *a. Income effect*

We understand from the management of the Company that the Completion is not expected to have immediate impact on the earnings of the Group. As Jodrell is already an indirect 80%-owned subsidiary of the Company, the acquisition of the remaining 20% interests in Jodrell by way of the Agreement will not cause any change to the existing accounting treatment for this subsidiary. While the assets, liabilities and financial results of Jodrell will continue to be consolidated with those of the Group following the Completion, the recognition of the minority interests attributable to the Vendor's existing shareholding of 20% in Jodrell will no longer be applicable.

##### *b. Liquidity and total borrowings*

Based on the unaudited condensed consolidated balance sheet of the Group as at 30 June 2006 set out in the Company's interim report for 2006, the Group had bank balances and cash of approximately HK\$453.2 million. As the consideration for the Acquisition is approximately HK\$140.1 million, we consider that the Group will have sufficient financial resources to satisfy its payment obligations under the Agreement even if the consideration is settled by cash in full.

In addition, based on the unaudited condensed consolidated balance sheet of the Group as at 30 June 2006, it had total current assets of approximately HK\$3,107.7 million and total current liabilities of approximately HK\$1,780.2 million, representing a net-current-assets position of approximately HK\$1,327.5 million and a current ratio at approximately 1.75. Furthermore, the Group's total bank borrowings as at 30 June 2006 were approximately HK\$805.3 million and the gearing ratio of the Group as at 30 June 2006 was approximately 15.4%, expressed as a percentage of total bank borrowings net of cash to equity attributable to equity holders of the Company of approximately HK\$2,280.6 million.

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## LETTER FROM AMS CORPORATE FINANCE LIMITED

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On the assumption that the Acquisition had been completed on 30 June 2006 with the issue of 25,000,000 Consideration Shares to the Vendor, the total current assets of the Group would decrease by HK\$80.1 million to approximately HK\$3,027.6 million, resulting in a current ratio at approximately 1.70 which remains substantially the same as before the Completion.

On the assumption that the Acquisition had been completed on 30 June 2006 with the consideration settled by cash in full, the total current assets of the Group would decrease by approximately HK\$140.1 million to approximately HK\$2,967.6 million, resulting in a current ratio of approximately 1.67.

Given that the consideration of approximately HK\$140.1 million under the Agreement will be settled by the Group with its internal resources and that the amount of such consideration is relatively insignificant as compared to the strong financial position of the Group, the Acquisition is not expected to have any material effect on the financial gearing of the Group.

As indicated in the Valuation Report, the Property Interests are in various stages of development and further capital commitment will be required for payment of land premium, demolition and resettlement, or development costs. As stated in the Letter from the Board, the estimated amount of additional capital requirement for payment of land premium, late fee, and demolition and resettlement in relation to the Property Interests is approximately RMB277.0 million (equivalently to approximately HK\$272.8 million), excluding development costs and payments which cannot be ascertained or have not been committed as at the Latest Practicable Date. Based on such estimation of the Company, the additional capital requirement attributable to the 20% interests in Jodrell under the Acquisition is approximately RMB\$55.4 million (equivalent to approximately HK\$54.6 million). As further stated in the Letter from the Board, it is presently intended that any additional capital requirement for the development of the Property Interests will be financed by the internal resources of, or borrowings by, China EverBright Real Estate, its subsidiaries or jointly controlled entities. Having taken into account the fact that (i) Jodrell is already an 80%-owned subsidiary of the Company and the Acquisition involves only an additional 20% equity interest in Jodrell (i.e. effectively 14% interest in China EverBright Real Estate); (ii) the Group intends to finance any such capital requirement by its internal resources or additional borrowings; and (iii) the additional capital requirement will span over several years of the development plans of the Property Interests, we do not consider that any additional capital requirement arising from the additional interests in the Property Interests under the Acquisition will pose undue pressure on the Group's financial position.

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## LETTER FROM AMS CORPORATE FINANCE LIMITED

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*c. Net asset value*

Based on the unaudited condensed consolidated balance sheet of the Group as at 30 June 2006, the unaudited net asset value of the Group, i.e. the equity attributable to equity holders of the Company, as at 30 June 2006 was approximately HK\$2,280.6 million, representing approximately HK\$4.56 per Share on the basis of 500,484,562 Shares in issue as at 30 June 2006. We understand from the management of the Company that the net assets of the Group will increase by HK\$60 million upon Completion if the consideration for the Acquisition is to be satisfied by cash of approximately HK\$80.1 million and the issue of 25,000,000 Consideration Shares. Such increase is due to the sum of HK\$60 million represented by the Consideration Shares to be credited to the share capital and share premium accounts of the Company. However, as stated above, the Issue Price of HK\$2.40 per Consideration Share represents a discount of approximately 47.4% to the unaudited net asset value of the Group of approximately HK\$4.56 per Share as at 30 June 2006. The net asset value per Share is expected to decrease as a result of the Acquisition, though such decrease will not be material given that the issue of 25,000,000 Consideration Shares represents about 5% of the existing issued share capital of the Company.

In the event that the consideration for the Acquisition is satisfied by cash in full, completion of the acquisition is not expected to have any immediate impact on the net asset value of the Group.

Based on the above analysis, it is expected that the transactions contemplated under the Agreement are not expected to have any immediate impact on the earnings, liquidity or financial position of the Group. In the event of issue of the Consideration Shares for partial settlement of the consideration, the net assets of the Group will increase by HK\$60 million. However, the net asset value per Share is expected to drop slightly as a result of the discount represented by the Issue Price to the existing net asset value per Share.

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## LETTER FROM AMS CORPORATE FINANCE LIMITED

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### 5. Possible dilution effect on shareholding

If the Agreement is approved and become unconditional and the Board has approved the issue and allotment of the Consideration Shares and the Listing Approval is obtained prior to Completion, the Company will issue to the Vendor (or its nominee) 25,000,000 Consideration Shares as partial payment for the consideration under the Agreement at Completion. Such 25,000,000 Consideration Shares, representing approximately 5.00% of the existing issued share capital of the Company and approximately 4.76% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares. On this basis, the aggregate shareholding interests of the existing Shareholders in the Company will be diluted to 95.24%. Given the fact that (i) the proposed issue of the Consideration Shares is one of the terms of the Agreement for the Acquisition, which we consider to be in the interests of the Company and the Shareholders as a whole; (ii) the Issue Price of HK\$2.40 per Consideration Share has been arrived at essentially based on the prevailing market prices of the Shares and is fair and reasonable; and (iii) the shareholding of all the Shareholders, including that of the controlling Shareholders, will be diluted by the same magnitude proportionally to their respective shareholdings upon the issue of the Consideration Shares, we are of the view that such dilution on the existing Shareholders' shareholding interests in the Company is acceptable.

### RECOMMENDATION

In formulating our advice to the Independent Board Committee and the independent Shareholders, we have considered the above principal factors and reasons, in particular, the following:–

- (i) Given the recent business developments of the Group, the Acquisition is consistent with the existing business pursuit of the Group. As Jodrell is already an indirect subsidiary of the Company, the acquisition of the remaining equity interests in Jodrell will increase the Group's stake in and control over various real estate development projects and land reserves in the PRC.
- (ii) The consideration under the Agreement, which is principally based on the market value of all the property interests held by China EverBright Real Estate as at 31 October 2006, is fair and reasonable, details of which are stated in the section headed "Valuation of the 20% equity interests in Jodrell" above.
- (iii) The completion of the Agreement is not expected to have any immediate impact on the earnings of the Group. Based on its existing financial position, the Group will have adequate financial resources to satisfy its financial obligations under the Agreement and the Completion will not have material impact on the financial position or capital structure of the Group.

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**LETTER FROM AMS CORPORATE FINANCE LIMITED**

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Based on the above, we are of the opinion that the Acquisition is in the interests of the Company and the Shareholders as a whole and is on normal commercial terms which are fair and reasonable. Accordingly, we would advise the Independent Board Committee to recommend the independent Shareholders to vote for the resolution to approve the transactions contemplated under the Agreement if the Company were required to convene a general meeting for considering the Acquisition.

Yours faithfully,  
For and on behalf of  
**AMS Corporate Finance Limited**  
**Jinny Mok**  
*Director*



*The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of inclusion in this circular received from Knight Frank Petty Limited, an independent valuer, in connection with its valuation as at 31st October, 2006 of the property interest held by China EverBright Real Estate.*



4/F, Shui On Centre  
6-8 Harbour Road  
Wanchai  
Hong Kong

20th December, 2006

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 (China EverBright Real Estate Development Limited) ("China EverBright Real Estate") and its subsidiaries and jointly controlled entities 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 market values of the property interests as at 31st October, 2006.

Our valuation is our opinion of the market value of the property which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of special value. The market value of a property is also estimated without regard to costs of sale and purchase, and without offset for any associated taxes.

For properties in Group I and Group II except Property No. 1 which are under development and for future development respectively, we have valued the properties on the basis that the properties will be developed and completed in accordance with the latest development proposals provided to us by Shell Electric Mfg. (Holdings) Company Limited (the “Company”). 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. We have valued the outstanding construction cost in accordance with the outstanding construction progress and the estimated total construction cost provided by your company. The “capital value when completed“ represents our estimate of the market value of each of the developments assuming that it were completed as at the date of valuation.

For Property No. 1, due to the scientific research purpose for which the buildings and structures have been constructed, there is no readily identifiable market comparable. Thus these building and structures cannot be valued on the basis of direct comparison. They have therefore been valued on the basis of the depreciated replacement cost. The depreciated replacement cost is defined as the current cost of replacement (reproduction) of a property less deductions for physical deterioration and all relevant forms of obsolescence and optimization. It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the improvements, less deduction for physical deterioration and all relevant forms of obsolescence and optimization. The depreciated replacement cost approach generally provides the most reliable indication of value for property in the absence of a known market based on comparable sales.

Our valuation based on the depreciated replacement cost approach shall be subject to the adequate potential profitability of the business. We must state that cessation of the existing business (if any) may have significant impact on the market value of the property as derived by the depreciated replacement cost approach.

We have valued the properties in Group III to Group V, which are respectively held for disposal, for investment and for owner-occupation, by adopting “Direct Comparison Approach” with reference to market comparable transactions as available on the market. For Property Nos. 10, 13 and 14, we have also based on capitalization of the net income shown on the documents of tenancy details handed to us by the Company. We have assumed the said rents are fixed at the then prevailing market rent. We have allowed for outgoings and where appropriate, made provisions for reversionary income potential.

Nonetheless, due to lack of proper legal title or insufficient title proofs on land use rights or building ownership, we have assigned no commercial value to the property interests for Property Nos. 7, 8 and 11.

We have been provided with extracts of documents in relation to the titles to the property interests of all the properties in Group I to V. 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 adviser on PRC laws, Fangda Partners, who prepared a legal opinion in December 2006, 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 of the properties valued and, where possible, the interior of the premises. However, we have not carried out investigations on site to determine the suitability of the ground conditions and services etc for any future development. Our valuations are prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the properties are free from rot, infestation or any other structural defects. No tests were carried out on any of the services. Unless otherwise stated, 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 report for any charges, mortgages or amounts owing on any property interests nor for any expenses or taxation which may be incurred in affecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

In preparing our valuation report, we have complied with the “First Edition of The HKIS Valuation Standards on Properties” published by Hong Kong Institute of Surveyors and all the requirements contained in the provision of Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

Unless otherwise stated, all sums stated in our valuation are in Renminbi. The exchange rates adopted in our valuations are US\$1=HK\$7.78 and HK\$1=RMB1.01 and there has been no material fluctuation in the aforesaid exchange rate during the period between the valuation date and the date of this report.

Our summary of valuation and valuation report are attached.

Yours faithfully  
For and on behalf of  
**Knight Frank Petty Limited**  
**Alex S L Ng**  
*MRICS MHKIS RPS(GP)*  
*Executive Director*

*Notes: Alex S L Ng, M.R.I.C.S., M.H.K.I.S., R.P.S. (G.P.), has been qualified valuer with Knight Frank Petty Limited since November 1995 and has 20 years' experience in the valuation of properties in Hong Kong and has been involved in the valuation of properties in the People's Republic of China and the Asia Pacific Regions since 1998.*

## SUMMARY OF VALUATION

## Group I – Properties held under development

		Market value in existing state as at 31st October, 2006	Interest Attributable to China EverBright Real Estate	Value of property interest attributable to China EverBright Real Estate as at 31st October, 2006
1.	A piece of land namely 1 Jie Fang 25/2 Qiu at Bei Cai Town, Zhang Jiang High-tech Zone, Pudong District, Shanghai, The PRC	RMB61,000,000	65%	RMB39,650,000
2.	Lot No. PZB11 at Pa Zhou Island, Haizhu District, Guangzhou, Guangdong Province The PRC	RMB1,104,000,000	50%	RMB552,000,000
3.	Three adjoining development sites at No. 48 Pin An Li Xi Da Jie, Xicheng District, Beijing, The PRC	RMB1,540,000,000	100%	RMB1,540,000,000
4.	Portion of a mixed-use development at Hefei New Station Comprehensive Development Trial Area in Hefei, Anhui Province, The PRC	RMB167,000,000	100%	RMB167,000,000
5.	Portion of Guangzhou Guang Da Hua Yuan, No.122 Gong Ye Road (formerly known as Guangzhong Factory), Haizhu District, Guangzhou, Guangdong Province The PRC	RMB1,198,000,000	50%	RMB599,000,000
Sub-total:				RMB2,897,650,000

**Group II – Property held for future development**

		Market value in existing state as at 31st October, 2006	Interest Attributable to China EverBright Real Estate	Value of property interest attributable to China EverBright Real Estate as at 31st October, 2006
6.	A piece of land at the west of Gong Ye Da Road North, Haizhu District, Guangzhou, Guangdong Province The PRC	RMB289,000,000	80%	RMB231,200,000
7.	A piece of land to the east of Guiyang Highway (currently occupied as Liang Feng Farm), Yanshan Town, Yanshan District, Guilin, Guangxi Zhuang Autonomous Region, The PRC	No Commercial Value	49.7%	No Commercial Value
8.	Various pieces of land around the Er Huan Lu, Hohhot, Inner Mongolia Autonomous Region, The PRC	No Commercial Value	80%	No Commercial Value
9.	A plot of land at Nos. 11-15 Xueyuan South Road, Haidian District, Beijing, The PRC	RMB350,000,000	35.7%	RMB124,950,000
			Sub-total:	RMB356,150,000

## Group III – Properties held for disposal

Property	Market value in existing state as at 31st October, 2006	Interest Attributable to China EverBright Real Estate	Value of property interest attributable to China EverBright Real Estate as at 31st October, 2006
10. Unsold carparking spaces and clubhouse at Beijing Guang Da Ming Zhu, Chaoyang District, Beijing, The PRC	RMB33,800,000	100%	RMB33,800,000
11. Unsold carparking spaces and clubhouse at Beijing Guang Da Hua Yuan, Haidian District, Beijing, The PRC	No commercial value	100%	No commercial value
12. 357 unsold carparking spaces in a residential development namely Beijing Shui Mo Feng Jing (北京水墨風景), Wan Liu Area, Haidian District, Beijing, The PRC	RMB32,100,000	100%	RMB32,100,000
		Sub-total:	RMB65,900,000

**Group IV – Properties held for investment**

		Market value in existing state as at 31st October, 2006	Interest Attributable to China EverBright Real Estate	Value of property interest attributable to China EverBright Real Estate as at 31st October, 2006
13.	Unit Nos. 801 and 802, Block C, Shanghai China Everbright Convention Centre, No 70 Caobao Road, Xuhui District, Shanghai, The PRC	RMB4,400,000	100%	RMB4,400,000
14.	Unit No 602 of Block 6 and Unit Nos. 1003 and 1103 of Block 11, Hong Qiao Guang Da Hua Yuan, Lane 269, Cheng Jia Qiao Road, Minhang district, Shanghai, The PRC	RMB5,300,000	100%	RMB5,300,000
			Sub-total:	<u>RMB9,700,000</u>

**Group V – Properties held for owner-occupation**

15.	Unit Nos. 701 and 702, Block C, Shanghai China Everbright Convention Centre, No. 70 Caobao Road, Xuhui District, Shanghai, The PRC	RMB4,400,000	100%	RMB4,400,000
			Sub-total:	<u>RMB4,400,000</u>
			Grand-total:	<u><u>RMB3,333,800,000</u></u>



## VALUATION REPORT

## Group I – Properties held under development

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31st October, 2006
1. A piece of land namely 1 Jie Fang 25/2 Qiu at Bei Cai Town, Zhang Jiang High-tech Zone, Pudong District, Shanghai, The PRC	<p>The property comprises a piece of irregular shaped site having a registered site area of approximately 7,543 sq.m.</p> <p>The property is proposed to be developed into a 6-storey (excluding basement) office development for scientific research use providing a total gross floor area of 11,321 sq.m. above ground and 5,994 sq.m. below ground. The basement carpark, which has a gross floor area of 2,290 sq.m. has 55 car parking spaces.</p> <p>The property was granted for a land use right term of 50 years from 1st March, 2004 to 28th February, 2054.</p>	Superstructure construction work is being carried out and the proposed development is scheduled to be completed at the end of 2006.	RMB61,000,000 (65% attributable to China EverBright Real Estate: RMB39,650,000)

*Notes:*

- (1) Pursuant to the Land Use Right Transfer Contract (the “Contract”) dated 18th July, 2003 entered into 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 上海金鶴數碼科技發展有限公司(Shanghai Jin He Digital Technology Development Company Limited (“Party B”)) the land use right of the property was transferred from Party A to Party B for office 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) 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 Shanghai City Pudong New Area Real Estate Registry to Party B for a term from 1st March, 2004 to 28th February, 2054 for scientific research uses. Due to the loss of the said Ownership Certificate, a Shanghai Certificate of Real Estate Ownership No. (2006) 036301 (滬房地浦字(2006)第036301號) was issued in which the contents are the same as those in the previous Ownership Certificate.

- (3) Pursuant to the Business Licence No. 317142 issued by the Pudong Xin District Sub-bureau of Shanghai City Industry and Commerce Administration Bureau dated 20th June, 2005, Party B was established with a registered capital of US\$2,400,000 for a period of 20 years commencing from 21st May, 2003 to 20th May, 2023 and the scope of business is to develop and sell both software and hardware digital products and subsequent technical support and to lease the buildings erected on the property.
- (4) As confirmed by the Company, China EverBright Real Estate has an attributable interest of 65% in Party B. Party A is an independent third party of China EverBright Real Estate.
- (5) Pursuant to the Construction Land Planning Permit 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. was permitted.
- (6) Pursuant to the Construction Engineering Planning Permit No. (05) 079 (滬浦規建張(05)079號), a development having a total gross floor area of approximately 17,315 sq.m. (including a gross floor area of approximately 5,994 sq.m. for basement) was permitted.
- (7) Pursuant to the Construction Works Commencement Permit No. 04ZJPD0059D01310224200410182301 dated 16th January, 2006, Party B obtained the approval for the commencement of construction works for gross floor area of approximately 17,315 sq.m.
- (8) We are advised by the Company that the estimated total outstanding construction costs to complete the proposed development and the cost of construction incurred in its existing state as at 31st October, 2006 are approximately RMB10,000,000 and RMB49,000,000 respectively. The capital value when completed as at 31st October, 2006 is approximately RMB71,000,000. In the course of our valuation, we have taken into account of the aforesaid outstanding construction costs.
- (9) We are advised by the Company that the property is subject to a mortgage agreement dated 14th July, 2006 entered to between Party B and Bank of Communications Company Limited (Shanghai South Branch) (the "Bank A"), the Bank A agreed to lend RMB45,000,000 to Party B expiring on 20th June, 2008.
- (10) The Company's PRC legal adviser on PRC laws is of the opinion, inter alia, that:
  - (i) Subject to sub-note (ii), Party B has fully settled the land premium under the Contract and has legally obtained the land use rights and the construction works of the entire property under the Shanghai Certificate of Real Estate Ownership No. (2006) 036301. Party B has the right to transfer, lease, mortgage or otherwise dispose of the said land use rights and the construction works pursuant to the compliance of the laws and regulations and the consent from mortgagee; and
  - (ii) The Shanghai Certificate of Real Estate Ownership stated that the land is for scientific research uses. Party B should seek advice from the land management authority and town planning authority regarding whether Party B has to change the planned use for the uses of the property; if the land management authority and town planning authority consider that there should be change of planned use, there is no material legal obstacle for Party B to obtain the building ownership of the development under the Shanghai Certificate of Real Estate Ownership No. (2006) 036301, upon Party B completes the relevant approval procedure, pays the relevant land premium (the exact amounts have to be confirmed by land management authority) and passes the examination of completion of works pursuant to the laws.
- (11) We have relied on the aforesaid legal opinion and have valued the property as for scientific research use.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31st October, 2006
2. Lot No. PZB11 at Pa Zhou Island, Haizhu District, Guangzhou, Guangdong Province, The PRC	<p>The property comprises a piece of irregular shaped site having a registered site area of approximately 102,789 sq.m. (including 10,290 sq.m. non-developable green area).</p> <p>The property is proposed to be developed in 2 wings namely west wing and east wing. The east 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 108,336 sq.m.</p> <p>The west 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 69,681 sq.m.</p> <p>The basement of the property has a gross floor area of approximately 77,592 sq.m. including approximately 790 carparking spaces with a gross floor area of 45,417 sq.m.</p> <p>The whole development is scheduled to be completed in September 2008.</p> <p>The east wing of the property with a site area of 39,640 sq.m. was granted for a land use right term of 70 years for residential uses, 40 years for commercial, tourism and entertainment uses and 50 years for other uses commencing from 23rd August, 2004.</p>	<p>Superstructure work is currently suspended and the development is scheduled to be completed in September 2008.</p>	<p>RMB1,104,000,000 (50% attributable to China EverBright Real Estate: RMB552,000,000)</p>

*Notes:*

- (1) Pursuant to the Land Use Right Grant Contract (the “Contract”) No. (2003) 76 (穗國地出合[2003]76號) dated 26th March, 2003 entered into between 廣州市國土資源和房屋管理局 (Guangzhou City Land Resources and Building Administration 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 rights of the property, having a site area of about 102,789 sq.m., 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, educational, technological, cultural, hygienic, sports, mixed uses or other uses from the date of issuance of the Land Use Right Certificate at a consideration of RMB323,290,000.
- (2) Pursuant to the Land Use Right Certificate No. (2004) 195 (穗國用(2004)第195號), land use rights of the property, having a site area of approximately 39,640 sq.m., have been granted by Guangzhou City People’s Government to Party B for a term of 70 years for residential uses, 40 years for commercial, tourism and entertainment uses and 50 years for other uses commencing from 23rd August, 2004.
- (3) Pursuant to the Business Licence No. 4401011109465 issued by the Guangzhou City Industry and Commerce Administration Bureau dated 20th November, 2003, Party B was established with a registered capital of RMB50,000,000 and the scope of business is to provide design, planning and consultancy service on exhibition matters and real estate development on the property (limited to the west of Pazhou Tower, north of Xingang East Road, Pazhou, Haizhu District).
- (4) As confirmed by the Company, China EverBright Real Estate has an attributable interest of 50% in Party B. Party A is an independent third party of China EverBright Real Estate.
- (5) Pursuant to the Construction Land Planning Permit No. (2003) 412 (穗規地証(2003)412號) dated 23rd October, 2003 in favour of Party B, the development of a site area of 102,789 sq.m. was permitted.
- (6) Pursuant to the Construction Engineering Planning Permit No. (2005) 441 (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.
- (7) Pursuant to the Construction Works Commencement Permit No. 440105200508260101 dated 26th August, 2005, Party B obtained the approval for the commencement of construction works for gross floor area of approximately 254,843 sq.m.
- (8) Pursuant to Pre-sale Permit No. 20050226 (穗房預(網)字第20050226號) dated 29th December, 2005, Party B has obtained permission from Guangzhou Land Resources and Building Administration Bureau for the pre-sale of a gross floor area of approximately 69,269.5 sq.m.
- (9) We are advised by the Company that a portion of the property with a gross floor area of approximately 59,471.64 sq.m. has been pre-sold at a consideration of RMB778,203,657. According to the Company’s instruction, the pre-sold portion is included in this valuation. In the course of valuing such pre-sold areas, we have made reference to the said unit price on those portion. The market value of the pre-sold areas upon completion and in its existing state as at 31st October, 2006 are RMB785,000,000 and RMB460,000,000 respectively.

- (10) The Company's PRC legal adviser on PRC laws is of the opinion, inter alia, that:
- (i) Party B has legally obtained the Land Use Right Certificate No. (2004) 195 with a site area of 39,640 sq.m. Apart from the pre-sold units, Party B has legally owned the unsold property and its respective land use rights and has the right to transfer, lease, mortgage or otherwise dispose of the said property and its respective land use right;
  - (ii) Though the Contract covers the remaining site with an area of 63,149 sq.m. and Party B has paid its respective land premium. As advised by Party B, Party B has not obtained the Land Use Right Certificate for the remaining site area of 63,149 sq.m. as the late payment has not been fully settled. There is no material legal obstacle for obtaining the Land Use Right Certificate of the said site upon the settlement of late payment as requested by Guangzhou Land Resources Bureau by Party B. Party B should make the late payment of RMB69,400,085.63 to Guangzhou Land Resources Bureau and Party B has paid an amount of RMB50,951,573.75;
  - (iii) For those pre-sold units, Party B has to transfer the building ownership of those units and deliver those units to the purchasers upon the full settlement of outstanding purchase price by the purchasers pursuant to the pre-sale contracts. Before the register of transfer of title by government authority, the building ownership and its respective land use rights is still held by Party B; but, without the consent from purchasers and the cessation of the said contracts, Party B has no right to transfer, lease, mortgage or otherwise dispose of those units and their respective land use rights;
  - (iv) Party B has obtained the Construction Land Planning Permit, Construction Engineering Planning Permit, Construction Works Commencement Certificate and Pre-sale Permit. Party B should apply for re-issue of Construction Land Planning Permit and, before the commencement of works, re-apply for Construction Works Commencement Certificate. In accordance with the Construction Engineering Planning Permit, Party B proposed to have a development with a total gross floor area of 254,843 sq.m. which exceeded that total gross floor area stated in the Contract (138,750 sq.m.). For the enlarged gross floor area, after Party B has obtained the approval from planning management authority, re-signed the Land Use Right Grant Contract or supplemental contract with land management authority and paid the land premium in accordance with the Contract, there is no substantial legal obstacle for Party B to obtain the re-issue of Construction Land Planning Permit. In addition, Party B should not resume works before obtaining the revised Construction Works Commencement Certificate; otherwise, the authority of issue of certificate might order Party B to rectify it and charge a fine at a maximum amount of RMB30,000; and
  - (v) The legal advisor has examined the sample of commodity housing sale contracts produced by Party A and Guangzhou City Industry and Commerce Administration Bureau. The contents of the said contracts are legal in accordance with the PRC laws.
- (11) In accordance with Note 10 (i) and (ii), Party B has obtained land use rights for the site with area of 39,640 sq.m. but the remaining site of 63,149 sq.m. has not been granted with the land use rights. As advised by the Company, the site with land use rights was the east wing and that without land use rights was the west wing. In the course of our valuation, we have assigned no commercial value for the site without land use rights. Subject to Note 12, the market value of the property is derived from the summation of the market value of above ground development of east wing and the apportionment of the market value of the below ground development of east wing from that of the entire property with reference to the ratio of site area of east wing to that of the entire property.

- (12) In accordance with Note 10 (ii), Party B should make the late payment of RMB69,400,085.63 to Guangzhou Land Resources Bureau and Party B has paid an amount of RMB50,951,573.75. As such, the outstanding late payment is RMB18,448,511.88. In accordance with Note 10 (iv), Party B has to pay a land premium for the enlarged gross floor area. In accordance with the Contract, the land premium payable equals the product of the increment of planned gross floor area and the total land premium divided by original planned gross floor area. As advised by the Company, the said increment of planned gross floor area refers to the increment of above ground gross floor area. Based on the Company's advice, we have assessed that the said land premium payable should be approximately RMB91,000,000. In the course of our valuation, we have already deducted the said late payment and land premium in assessing the market value of the property.
- (13) Based on the assumption that the land use rights of the entire property have been obtained and the land premium and late payment have been fully paid which has resulted the entire property has a proper title and can be freely transferable, the market value of the entire property at its existing state was estimated at RMB2,380,000,000 as at 31st October, 2006. Thus, the market value attributable to China EverBright Real Estate to RMB1,190,000,000. We are advised by the Company that the estimated outstanding construction costs to complete the proposed development and the cost of construction incurred in its existing state as at 31st October, 2006 are RMB525,600,000 and RMB649,100,000 respectively. The capital value of the proposed development when completed as at 31st October, 2006 is approximately RMB3,925,000,000. In the course of our valuation, we have taken into account of the aforesaid outstanding construction costs.
- (14) As advised by the Company, the suspension of superstructure work was due to the disagreement between the shareholders of Party B on mode of operation of the project. In the meantime, the shareholders of Party B are negotiating for a resolution for the resumption of the superstructure work.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31st October, 2006
3. Three adjoining development sites at No. 48 Pin An Li Xi Da Jie, Xi Cheng District, Beijing, 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 110,172 sq.m. above ground. Basement levels has a gross floor area of approximately 24,965 sq.m. in which the carpark with about 572 car parking spaces has a gross floor area of 20,486 sq.m.</p> <p>The property was granted for a land use right term of 50 years for office uses and car parking uses from the date of issuance of Land Use Right Grant Contract.</p>	Superstructure work is under construction and the development is scheduled to be completed by end of 2006.	RMB1,540,000,000 (100% attributable to China EverBright Real Estate: RMB1,540,000,000)

*Notes:*

- (1) Pursuant to a Co-operative Agreement dated 27 September, 2003 entered into between 中國京劇院 (Chinese Opera) ("the CP") 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 salient terms and conditions of the agreement are listed as follows:
- (i) Party B is responsible for the development, fund raising and pay compensation to the CP. However, the CP would construct the Opera Complex Office Building.
  - (ii) The site area and the gross floor area of the Opera Complex Office Building are 2,872 sq.m. and 19,217 sq.m. respectively. The CP would hold the interest of the building.
  - (iii) The site area and gross floor area of the Chinese Opera House and Office Building are 22,000 sq.m. and 161,031 sq.m. respectively, in which the CP and Party B would hold interest on the gross floor area of approximately 11,306 sq.m. and 149,725 sq.m. respectively. The CP would hold the interest of the Chinese Opera House whereas Party B would hold the interest of the 3 office buildings and other property.

- (iv) Before the signing of this agreement, Party B has paid the CP an amount of RMB44,650,000 for compensation.
- (v) Party B would compensate the CP as follows:
- the capital for construction of the Opera Complex Office Building at RMB70,000,000;
  - the construction of the Chinese Opera House and its interest would be delivered to the CP after completion;
  - the fee for demolition and resettlement of the old office building and the office circulating fee at RMB10,000,000; and
  - the restaurant compensation fee at RMB1,000,000.
- (vi) The CP consents to support and meet with the needs of Party B for the change of use for the office buildings subject to the permission under laws and regulations.
- (vii) The investment cost of the Chinese Opera by Party B does not exceed RMB80,000,000. The CP is responsible for the amount over RMB80,000,000.
- (viii) At the time when this agreement is signed, under the share transfer agreement entered into the CP and 北京中核投資有限公司 (Beijing Zhong He Investment Company Limited) (“Zhong He”), the CP agreed to transfer its 49% shares of Party B to Zhong He at a transfer fee of RMB15,770,000.
- (ix) Pursuant to the attachment – Chinese Opera House Investment Budget Control Agreement, the Chinese Opera House delivered by Party B to the CP should not exceed a total area of 11,306 sq.m. (including above ground, below ground and common area).
- (2) Pursuant to three Land Use Right Grant Contract (the “Contracts”) No. (2004) 216 (京地出合字(2004)第216號) dated 7 March, 2004 and Nos. (2004) 127 (京地出合字(2004)第127號) and (2004) 128 (京地出合字(2004)第128號) both dated 6 February, 2004 entered into between Beijing City Land Resources and Building Administration Bureau (“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 car parking uses for terms of 50 years from 7th March, 2004 for the lot held under the Contract No. (2004) 216 and for terms of 50 years from 6 February, 2004 for the remaining lots. The total land premium payable by Party B is RMB168,022,840.
- (3) Pursuant to the Land Use Right Certificate No. (2005) 20267 (京西國用(2005出)第20267號), the land use rights of the property, having a site area of approximately 7,358.65 sq.m., have been granted by Beijing City People’s Government to Party B for a term expiring on 6th March, 2054 for office and car parking uses.
- (4) Pursuant to the Land Use Right Certificate Nos. (2006) 20291 (京西國用(2006出)第20291號) and (2006) 20290 (京西國用(2006出)第20290號), the land use rights of the property, having a total site area of approximately 7,732.36 sq.m., have been granted by Beijing City People’s Government to Party B for a term expiring on 5th February, 2054 for office and car parking uses.



- (5) Pursuant to the Business Licence No. 1100001142699 (1-1) issued by the Beijing City Industry and Commerce Administration Bureau dated 1st December, 2004, Party B was established with a registered capital of RMB30,000,000 and the scope of business is to conduct property development and consultancy.
- (6) As confirmed by the Company, China EverBright Real Estate has an attributable interest of 100% in Party B. Party A, the CP, Zhong He and 北京遠通酒店管理有限公司 (Beijing Yuan Tong Hotel Management Company Limited) ("Party C") are independent third parties of China EverBright Real Estate.
- (7) Pursuant to the Construction Land Planning Permit No. (2002) 0208 (2002規地字0208號) 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).
- (8) Pursuant to the Construction Engineering Planning Permit No. (2004) 0416 (2004規建字0416號) 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).
- (9) Pursuant to the Construction Works Commencement Permit No. 2005-326 (00 (建) 2005-0326) 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).
- (10) Pursuant to Pre-sale Permit No. (2006) 241 (京房售証字(2006)241號), Party B has obtained permission from Beijing City Construction Committee for the pre-sale of a gross floor area of approximately 75,337.82 sq.m.
- (11) As advised by the Company, the estimated outstanding construction costs to complete the proposed development in its existing state as at 31st October, 2006 including the construction cost of the Chinese Opera House and the cost of construction incurred are approximately RMB115,000,000 and RMB668,000,000 respectively. The capital value when completed as at 31st October, 2006 is approximately RMB1,873,000,000. In the course of our valuation, we have taken into account of the aforesaid outstanding construction costs.
- (12) Block 1 of the property is subject to a mortgage agreement dated 28th September, 2005 entered into between Party B and Beijing Bank Holdings Company Limited (Jian Guo Branch) (the "Bank A"), the Bank A agreed to lend RMB230,000,000 to Party B for a term of two years from 28th September, 2005 to 28th September, 2007.
- (13) Block 2 of the property is subject to a mortgage agreement dated 6th March, 2006 entered into between Party B and Industrial and Commercial Bank of China (Wan Zhuang Branch) (the "Bank B"), the Bank B agreed to lend RMB120,000,000 to Party B for a term of two years from 30th March, 2006 to 21st March, 2008.
- (14) Block 2 of the property is further subject to a mortgage agreement dated 21st August, 2006 entered into between Party B and the Bank B, the Bank B agreed to lend RMB65,000,000 to Party B for a term from 11th September, 2006 to 21st March, 2008.

- (15) We are advised by the Company that a pre-sale agreement dated 26th July, 2006 was entered into between Party B and Party C, in which Party B sold Block 3 with gross floor area of approximately 37,263.98 sq.m. to Party C at a consideration of RMB478,842,143 and Party B should hand over it to Party C before 30th June, 2007. According to the Company's instruction, the pre-sale portion is included in this valuation. In the course of valuing such pre-sale areas, we have made reference to the said unit price on those portion. The market value of the pre-sold portion at its existing state and as if it were completed as at 31st October, 2006 are RMB390,000,000 and RMB500,000,000 respectively.
- (16) The Company's PRC legal adviser on PRC laws is of the opinion, inter alia, that:
- (i) Party B has legally owned the land use rights of the entire property under the Land Use Right Certificate Nos. (2005) 20267, (2006) 20291 and (2006) 20290 and has fully settled the land premium. Apart from those mortgaged properties, Party B has the right to transfer, lease, mortgage or otherwise dispose of the said land use rights; for those mortgaged properties, Party B has the right to transfer, lease, mortgage or otherwise dispose of the said land use rights upon consent from mortgagee has been obtained; for those pre-sold units without completing the formal transfer procedure, i.e. Block 3, together with their respective land use rights, Party B has to transfer the building ownership and its respective land use rights and deliver those units to the purchasers upon the full settlement of outstanding purchase price by the purchasers pursuant to conditions of the contracts. Before the register of transfer of title by government authority, the building ownership and its respective land use rights are still held by Party B; but, without the consent from purchasers and the cessation of the said contracts, Party B has no right to transfer, lease, mortgage or otherwise dispose of those units and their respective land use rights; and
  - (ii) Party B has obtained the Construction Land Planning Permit, Construction Engineering Planning Permit and Construction Works Commencement Certificate. If Party C proposes to change Block 3 to hotel or other commercial uses, Party B has to complete the procedure for the relevant change of planned land use and the amendment of relevant works permit documents pursuant to the laws. If the land grant authority considers that the said change of land use would lead to adjustment of relevant land premium, Party B could complete the relevant procedure of change of planning of the land after the payment of adjusted land premium (the exact amounts should be confirmed by the land grant authority after assessing the application submitted by Party B).
- (17) As advised by the Company, Party C proposes to change Block 3 to hotel uses in which Party B has sold the said building to Party C for office uses. In accordance with the legal opinion from another PRC legal adviser King & Wood PRC Lawyers ("King & Wood") to Party B dated 4th December, 2006 regarding the transfer of Block 3, King & Wood confirmed that Party B had not provided any guarantee and promise to Party C on the arrangement after the transfer of the said building; if Party C wants to change the function and uses of the said building, Party C should complete the relevant procedure for change of planning by its own and Party B need not bear any responsibility on that issue. In the course of our valuation, we have assessed the market value of Block 3 as office uses.
- (18) The breakdown of valuation into 3 blocks (with carparks apportioned according to floor areas of the 3 blocks) are as follows:-
- |         |   |                |
|---------|---|----------------|
| Block 1 | : | RMB690,000,000 |
| Block 2 | : | RMB460,000,000 |
| Block 3 | : | RMB390,000,000 |

Please note that Block 1 is a proposed 20-storey office building having an above ground gross floor area of 48,541.38 sq.m. with basement of 10,426.48 sq.m.; Block 2 is a proposed 18-storey office building having an above ground gross floor area of 31,500.70 sq.m. with basement of 6,649.59 sq.m. and Block 3 is a proposed 20-storey office building having an above ground gross floor area of 30,129.86 sq.m. with basement of 7,888.88 sq.m..

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31st October, 2006
4. Portion of a mixed-use development at Hefei New Station Comprehensive Development Trial Area in Hefei, Anhui Province, The PRC	<p>The property comprises portion of a mixed-use development with a total registered site area of approximately 25,926.73 sq.m. The site is divided into 4 zones and each zone has different stages of development which are summarised as follows:</p> <p>Zone A – it has a 5-storey building with car parking spaces on basement, commercial units on Level 1, office units on Levels 2 to 5. The gross floor area for the building is approximately 9,764 sq.m. above ground and 1,526 sq.m. below ground and was completed in 1998. The property of Zone A comprises an unsold gross floor area of approximately 7,307 sq.m. and 37 unsold car parking spaces.</p> <p>Zone B – it has been further subdivided into 2 zones namely B1 and B2. A 16-storey building has been built on Zone B1 with car parking spaces and machine room on basement, commercial units on Levels 1 to 5 and office space on Levels 6 to 16. For Zone B2, there is a 5-storey office (excluding basement car parking spaces) building. The buildings were completed in 1998 and have a total gross floor area of approximately 30,136 sq.m. above ground and 5,488 sq.m. below ground. The property of Zone B comprises an unsold gross floor area of approximately 28,930 sq.m. and 120 unsold car parking spaces.</p>	<p>The property at Zone A, B &amp; C was vacant.</p> <p>In Zone D, superstructure of the proposed development is under construction on the property.</p>	<p>RMB167,000,000 (100% attributable to China EverBright Real Estate: RMB167,000,000)</p>

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31st October, 2006
	<p>For Zone C, it is a 5-storey commercial building having a total gross floor area of approximately 22,162 sq.m. completed in 2001. The property of Zone C comprises a gross floor area of approximately 12,357 sq.m. which is remained unsold in the building.</p>		
	<p>Zone D – is currently a site under construction. It is planned to be developed into a building with basement carpark, commercial portion on Levels 1 to 5 and office on Levels 6 to 18 with a total gross floor area of approximately 36,097 sq.m above ground and 4,997 sq.m. below ground. There are 250 car parking spaces on the basement. Development of Zone D will be completed in April 2007.</p>		
	<p>The property comprises all unsold portion of Zone A, B, C and the undeveloped site of Zone D.</p>		
	<p>The property was granted for a land use right term expiring in July 2045.</p>		

*Notes:*

- (1) Pursuant to the Real Estate Project Transfer Agreement dated 5th August, 2003 entered into among 安徽銀沱實業股份有限公司破產清算組 (Anhui Yintuo Industrial Holdings Company Limited Insolvency Clearing Group) (“Party A”), 山西興恆昌商貿有限公司 (Shanxi Xinghengchang Commerce and Trading Company Limited) (“Party B”) and 安徽博鴻房地產開發有限公司 (Anhui Bo Hong Real Estate Development Company Limited) (“Party C”), Yin Tuo Jin Mao Zone with a total site area of 25,926.79 sq.m. (approximately 39 mu) was transferred from Party A to Party C at a consideration of RMB66,800,000. Party B and Party C have paid a total of RMB33,400,000 to Party A when the agreement was signed. Regarding the outstanding consideration of RMB33,400,000, Party C should provide an equivalent amount of cash or saving guarantee or a guarantee letter from a bank recognized by Party A before 15th August, 2003. Within 3 months of the provision of such guarantee, Party A should transfer Yin Tuo Jin Mao Zone to Party C. Upon the transfer of Yin Tuo Jin Mao Zone to Party C from Party A and Party A and Party C completed the formal handover procedure, Party C should pay the outstanding consideration of RMB33,400,000 to Party A before 15th December, 2003.

- (2) Pursuant to the Land Use Right Certificate Nos. (2004) 0618 (合國用(2004)第0618號), 0619 (合國用(2004)第0619號) and 0620 (合國用(2004)第0620號) 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 Hefei City Land Resources Bureau to Party C for terms expiring in July 2045 for commercial/office uses.
- (3) Pursuant to the Building Ownership Certificate Nos. 047024 (合產047024號) and 047025 (合產047025號), the ownership of No. 2 at Level 1 and Unit Nos. 325, 326 and 327 of Zone A having a total gross floor area of 152.85 sq.m. was granted to Party C.
- (4) Pursuant to the Business Licence No. 3400002300155 issued by Anhui Province Industry and Commerce Administration Bureau dated 28th July, 2003, Party C was established with a registered capital of RMB20,000,000 and the scope of business is to undertake property development, operation sale, leasing, consultancy, trading of building materials indoor and outdoor decoration and property management. The period of operation stipulated in the Business Licence is from 11th July, 2003.
- (5) As confirmed by the Company, China EverBright Real Estate has an attributable interest of 100% in Party C. Party A, Party B and 中房宏業房地產開發有限公司 (Zhong Fang Hong Ye Real Estate Development Co. Ltd) ("Party D") are independent third parties of China EverBright Real Estate.
- (6) Pursuant to the Construction Land Planning Permit No. 2004-014 (合綜試規(地)2004-014號) dated 30th June, 2004 in favour of Party C, the development of a site area of 38.89 mou (about 25,900 sq.m.) was permitted.
- (7) Pursuant to the Construction Engineering Planning Permit No. 2004-211 (合綜試建(民)許2004-211號) dated 30th June, 2004 in favour of Party C, the development of Zone A with a total gross floor area of 10,826 sq.m. was permitted.
- (8) Pursuant to the Construction Engineering Planning Permit No. 2004-212 (合綜試建(民)許2004-212號) dated 30th June, 2004 in favour of Party C, the development of Zone B with a total gross floor area of 31,521 sq.m. was permitted.
- (9) Pursuant to the Construction Engineering Planning Permit No. 2004-213 (合綜試建(民)許2004-213號) dated 30th June, 2004 in favour of Party C, the development of Zone C with a total gross floor area of 22,284.8 sq.m. was permitted.
- (10) Pursuant to the Construction Engineering Planning Permit No. 20061018 (合規新建(民)許20061018號) dated 16th February, 2006 in favour of Party C, the development of Zone D with a total gross floor area of 35,939.8 sq.m. (with an additional 4,810 sq.m. for basement) was permitted.
- (11) Pursuant to the Construction Works Commencement Permit No. 10205030018 dated 30th March, 2005, Party C obtained the approval for the commencement of works of Zone A and B for gross floor area of 39,727 sq.m.
- (12) Pursuant to the Construction Works Commencement Permit No. 010205080004 dated 8th August, 2005, Party C obtained the approval for the commencement of works of Zone C for gross floor area of 22,284.8 sq.m.
- (13) Pursuant to the Construction Works Commencement Permit No. 010206030003 dated 9th March, 2006, Party C obtained the approval for the commencement of construction works of Zone D for gross floor area of 35,939.8 sq.m. (with an additional 4,810 sq.m. for basement).

- (14) Pursuant to 4 Pre-sale Permit Nos. 2005344, 2005433, 2005637 and 20060884, Party C has obtained permission from Hefei City Real Estate Administration Bureau of for the pre-sale of office units, commercial units and 157 car parking spaces which have a total gross floor area of approximately 104,271.53 sq.m..
- (15) As advised by the Company, the estimated outstanding construction costs to complete the proposed development in its existing state and the cost of construction incurred for Zone D as at 31st October, 2006 are approximately RMB69,000,000 and RMB44,000,000 respectively. The capital value of Zone D when completed as at 31st October, 2006 is approximately RMB146,000,000. In the course of our valuation, we have taken into account of the aforesaid outstanding construction costs.
- (16) Pursuant to an agreement entered into between Party C and Party D dated 7th July, 2005, Party C sold to Party D Levels 1 to 5 of Zone B1, Levels 1 to 5 of Zone B2 and Levels 1 to 5 of Zone C of the property at a unit price of RMB3,200 per sq.m.. In the course of our valuation of the entire property, we have made reference to the said unit price on the sold portion of the property under the said agreement.
- (17) The Company's PRC legal adviser on PRC laws is of the opinion, inter alia, that:
- (i) Party C has been transferred with the whole Yin Tuo Jin Mao Zone project, including the rights and responsibilities attached to the project. Therefore, all the rights and responsibilities of the previous construction units regarding to the construction of the project would be borne by Party C;
  - (ii) The transferred Yin Tuo Jin Mao Zone project was an under construction project. Party C should, after the transfer of the project, complete the procedure for the relevant transfer of land use rights and under construction works. In accordance with the documents provided by Party C, the procedure for the transfer of under construction works has basically been completed;
  - (iii) For Zone A, B, C and D of Yin Tuo Jin Mao Zone project, Party C has obtained the land use rights of the entire property under the Land Use Right Certificate Nos. (2004) 0618, 0619 and 0620 and has the right to transfer, lease, mortgage or otherwise dispose of the said rights pursuant to the laws;
  - (iv) For those pre-sold units without completing the formal transfer procedure, Party C has to transfer the building ownership of those units and deliver those units to the purchasers upon the fulfillment of conditions in the pre-sale agreements by both parties and the full settlement of outstanding purchase price by the purchasers. Before the register of transfer of title by government authority, the building ownership is still held by Party C; but, without the consent from purchasers and the cessation of the said agreements, Party C has no right to transfer, lease, mortgage or otherwise dispose of those units; and
  - (v) Party C has obtained the pre-sale permits of Zone A, B, C and D and have the right to pre-sell those property; Party C has obtained the land use rights of the said property and the relevant approval, consent and documents for carrying out the construction works, in particular, Zone A, B and C have been finished with the record procedure for examination of works completion; Zone D is still an under construction project; those 4 zones should have no material legal obstacles in obtaining the initial register of building ownership and the valid building ownership certificate subject to the completion of delivery of the relevant property and the passing of the record procedure for examination of works completion for Zone D. For the building ownership of a portion of the property in Zone A under Building Ownership Certificate Nos. 047025 and 047024 as mentioned in Note 3, Party C has legally owned the building ownership of the said property and has the right to transfer, lease, mortgage or otherwise dispose of the said property. There is no Building Ownership Certificate for the remaining portion of Zone A, entire Zone B and entire Zone C of the property.
- (18) The breakdown of valuation into 4 zones are as follow:-
- |        |   |               |
|--------|---|---------------|
| Zone A | : | RMB32,000,000 |
| Zone B | : | RMB52,000,000 |
| Zone C | : | RMB40,000,000 |
| Zone D | : | RMB43,000,000 |

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31st October, 2006
5. Portion of Guangzhou Guang Da Hua Yuan, No. 122 Gong Ye Road (formerly known as Guangzhong Factory), Haizhu District, Guangzhou, Guangdong Province The PRC	<p>The subject development, Guangzhou Guang Da Hua Yuan, is a large private residential development completed in phases from 2001 to 2005 with new phases are still planning. The site area of the development is approximately 434,699 sq.m. The whole of Phases A to D comprises 33 residential buildings ranging from 5 to 32 storeys whilst Phase F1 comprises totally 9 medium rise and high rise residential blocks with ancillary commercial facilities and communal facilities. 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. Phase E is currently under construction and Phase F2 is pending for future development.</p> <p>The property comprises various residential units in Phases A to D and F1, 261 car parking spaces of Phase A to D, various commercial units in Phases A to D and Phase F1, a 6-storey quarters for Secondary School, the whole Phase E and the whole Phase F2.</p>	<p>The residential units of Phase A to D and F1 of the property are vacant with 3 of the units having a gross floor area of approximately 300 sq. m. currently used by staff and the quarters for Secondary School currently used by staff and students with no rental income.</p> <p>Retail portion of Phase A to D of the property with a gross floor area of 1,328 sq.m. is vacant whilst the remaining 1,694 sq.m. has been leased out for a term of 2 years with rental at RMB690,000 per annum.</p> <p>Some of the car parking spaces of Phase A to D and F1 of the property are vacant with a portion being let on monthly basis with rental at RMB420,000 per annum.</p> <p>Phase E of the property is currently under construction and undergoing pre-sale.</p> <p>Phase F2 of the property is currently vacant and pending for development.</p>	<p>RMB1,198,000,000 (50% attributable to China EverBright Real Estate: RMB599,000,000)</p>

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31st October, 2006
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The gross floor area of the residential units in Phases A to D and F1 and quarters for Secondary School of the property is approximately as follows:—

	Gross Floor Area
Phase A	465 sq.m.
Phase B	874 sq.m.
Phase C	394 sq.m.
Phase D & F1	0 sq.m.
Quarters for	
Secondary School:	<u>10,422 sq.m.</u>
Total:	<u><u>12,155 sq.m.</u></u>

The gross floor areas of various non-residential units in Phases A to D and F1 of the property (excluding the carparking spaces) are approximately as follows:

	Gross Floor Area
Commercial units	
for Phases A:	2,409 sq.m.
Commercial units	
for Phase B :	354 sq.m.
Commercial units for	
Phase C & F1:	0 sq.m.
Commercial units	
for Phase D :	<u>259 sq.m.</u>
Total :	<u><u>3,022 sq.m.</u></u>



Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31st October, 2006
	<p>Phase E of the property has a site area of approximately 47,980 sq.m. Phase E is proposed to be developed into 10 high rise residential blocks with ancillary commercial facilities and communal facilities. Upon completion, Phase E will provide gross floor area of approximately including 190,059 sq.m. for residential uses, 10,228 sq.m. for commercial uses, 7,807 sq.m. for communal and ancillary facilities and 31,989 sq.m. for basement. The basement carpark, which has a gross floor area of 21,103 sq.m., has 589 car parking spaces. Superstructure of Phase E is being carried out and scheduled to be completed in October 2007.</p>		
	<p>Phase F2 of the property has a site area of 42,356 sq.m. which was previously occupied by Guangzhong Factory. Phase F2 is proposed to be developed into residential blocks with ancillary commercial facilities and communal 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, 33,204 sq.m. for community uses and 812 car parking spaces. This phase is scheduled to be completed in late 2008.</p>		
	<p>The property apart from a site area of 87,902 sq.m. including Phase F2 was granted for land use right 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, 30th July, 2000, 30th January, 2002, 1st May, 2004 and 11th November, 2005.</p>		

*Notes:*

- (1) Pursuant to a Land Use Right Grant Contract No. (1999) 523 (穗國地出合(1999)523號) (“Grant Contract No. 1”) dated 15th September, 1999 entered into between Guangzhou City Land Resources and Building Administration Bureau (“Party A”) and 廣州市光大花園房地產開發有限公司 (Guangzhou City Guang 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 Construction Land Approval Certificate 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) Ancillary Area	:	4,250 sq.m.
(iv) Cultural Centre	:	5,000 sq.m.

Subsequently, pursuant to Land Use Right 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, with a site area of approximately 43,541 sq.m., have been granted by Guangzhou City Land Resources and Building Administration Bureau to Party B subject to conditions contained in Grant Contract No. 1.

- (2) Pursuant to a Land Use Right Grant Contract No. (2000) 296 (穗國地出合(2000)296號) (“Grant Contract No. 2”) dated 30th July, 2000 entered into 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) Commercial	:	1,070 sq.m.
(iii) Wet Market	:	2,722 sq.m.
(iv) Clubhouse	:	1,195 sq.m.
(v) G/F Bicycle Parking	:	4,096 sq.m.
(vi) Management Office	:	250 sq.m.
(vii) G/F Ancillary Green Area	:	2,674 sq.m.
(viii) Refuse Collection Point	:	187.5 sq.m.
(ix) Latrine	:	50 sq.m.
(x) Basement	:	22,203 sq.m.

Subsequently, pursuant to Land Use Right 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, with a site area of approximately 56,373 sq.m., have been granted by Guangzhou City Land Resources and Building Administration Bureau to Party B subject to conditions contained in Grant Contract No. 2.

- (5) Pursuant to a Land Use Right Grant Contract No. (2002) 18 (穗國地出合(2002) 18號) (“Grant Contract No. 3”) dated 30th January, 2002 entered into 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 industrial and other uses commencing from 30th 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) Commercial	:	500 sq.m.
(iii) Primary/Secondary School	:	32,828 sq.m. (with an addition of 6,841 sq.m. for basement)
(iv) Latrine	:	50 sq.m.
(v) Residents’ Committee	:	50 sq.m.
(vi) Hygiene Control Centre	:	50 sq.m.
(vii) Cultural Activities Centre	:	50 sq.m.
(viii) 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) Commercial	:	1,100 sq.m.
(iii) Primary/Secondary School	:	41,947.68 sq.m. (including 7,016.34 sq.m. for basement)
(iv) G/F Ancillary Green Area	:	4,124 sq.m.
(v) Basement	:	19,379 sq.m.

Subsequently, pursuant to Land Use Right 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, with a site area of approximately 61,167.08 sq.m., have been granted by Guangzhou City Land Resources and Building Administration Bureau to Party B 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 (穗國地出合(2002) 19號) (“Grant Contract No. 4”) dated 30th January, 2002 entered into 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) Hygiene Control Centre	:	50 sq.m.
(iv) Cultural Activities Centre	:	50 sq.m.
(v) Residents’ Committee	:	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 Right Certificate No. (2002) 018 (穗府國用(2002)字第特018號) dated 26th February, 2002, the land use rights of the site, with a site area of approximately 26,476.65 sq.m., have been granted by Guangzhou City Land Resources and Building Administration Bureau to Party B 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 (穗國地出合(2003) 275號) (“Grant Contract No. 5”) dated 23rd July, 2003 entered into 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 Right 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) Hygiene Control Centre	:	100 sq.m.
(iii) Residents’ Committee	:	100 sq.m.
(iv) Cultural Activities Centre	:	100 sq.m.
(v) Nursery	:	4,415 sq.m.
(vi) Basement	:	2,500 sq.m.

Subsequently, pursuant to Land Use Right Certificate No. (2004) 83 (穗府國用(2004)第83號) dated 9th May, 2004, the land use rights of the site, with a site area of approximately 24,718 sq.m., have been granted by Guangzhou City People's Government to Party B from 1st May, 2004 subject to conditions contained in Grant Contract No. 5.

- (9) Pursuant to a Land Use Right Grant Contract No. (2003) 276 (穗國地出合(2003) 276號) (“Grant Contract No. 6”) dated 23rd July, 2003 entered into 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 Right 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) Refuse Acquisition Point	:	100 sq.m.
(iv) Police Station	:	800 sq.m.
(v) Other shops with designated trades	:	1,700 sq.m.
(vi) Hygiene Control Centre	:	100 sq.m.
(vii) Cultural Activities Centre	:	100 sq.m.
(viii) Residents' Committee	:	100 sq.m.
(ix) Basement	:	11,100 sq.m.

Subsequently, pursuant to Land Use Right Certificate No. (2004) 368 (穗國用(2004)第368號) dated 24th January, 2005, the land use rights of the site in regard to Grant Contract No. 6, with a site area of approximately 23,073 sq.m., have been granted by Guangzhou City People's Government to Party B from 20th January, 2005.

- (10) Pursuant to a Land Use Right Grant Contract No. (2003) 277 (穗國地出合(2003) 277號) (“Grant Contract No. 7”) dated 23rd July, 2003 entered into 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 Right 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) Youth Centre	:	1,500 sq.m.
(iv) Youth Activities Centre	:	900 sq.m.
(v) Latrine	:	50 sq.m.
(vi) Hygiene Control Centre	:	100 sq.m.
(vii) Residents' Committee	:	100 sq.m.
(viii) Refuse Collection Point	:	200 sq.m.
(ix) Cultural Activities Centre	:	100 sq.m.
(x) Basement	:	3,000 sq.m.

Subsequently, pursuant to Land Use Right Certificate No. (2004) 82 (穗府國用(2004)第82號) dated 9th May, 2004, the land use rights of the site in regard to Grant Contract No. 7, with a site area of approximately 21,112 sq.m., have been granted by Guangzhou City People's Government to Party B from 1st May, 2004.

- (11) Pursuant to a Land Use Right Grant Contract No. (2004) 393 (穗國地出合(2004) 393號) (“Grant Contract No. 8”) dated 31st August, 2004 entered into 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 Right 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) Elderly Activity Centre	:	1,000 sq.m.
(iv) Hygiene Control Centre	:	100 sq.m.
(v) Residents' Committee	:	100 sq.m.
(vi) Cultural Activities Centre	:	100 sq.m.
(vii) Latrine	:	50 sq.m.
(viii) Basement	:	10,000 sq.m.

- (12) Pursuant to a Land Use Right Grant Contract No. (2004) 54 (穗國地出合(2004) 54號) (“Grant Contract No. 9”) dated 25th March, 2004 entered into 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 Right 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 Centre	:	5,141 sq.m.
(iv) Gas Pressure Adjustment Station	:	108 sq.m.
(v) Basement	:	3,000 sq.m.

- (13) Pursuant to a Land Use Right Grant Contract No. (2004) 55 (穗國地出合(2004) 55號) (“Grant Contract No. 10”) dated 25th March, 2004 entered into 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 Right 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) Community Cultural Activities Centre	:	2,000 sq.m.
(iv) Hygiene Control Centre	:	100 sq.m.

(v) Residents' Committee	:	100 sq.m.
(vi) Cultural Activities Centre	:	100 sq.m.
(vii) Basement	:	13,680 sq.m.

- (14) Pursuant to a supplementary agreement dated 23rd August, 2006, the land premium stated in Grant Contract No. 10 had been amended to RMB37,444,351 with the developable gross floor areas changed as follows:

(i) Residential	:	112,123 sq.m.
(ii) Commercial	:	10,228 sq.m.
(iii) Community Cultural Activities Centre	:	2,017 sq.m.
(iv) Lift Machine Room	:	800 sq.m.
(v) Hygiene Control Centre	:	336 sq.m.
(vi) Residents' Committee	:	111 sq.m.
(vii) Level 1 Ancillary Green Area	:	1,020 sq.m.
(viii) Level 3 Ancillary Green Area	:	1,274 sq.m.
(ix) Basement	:	28,192 sq.m.

- (15) Pursuant to Land Use Right Certificate No. (2005) 291 (穗國用(2005)第291號) dated 28th November, 2005, the land use rights of the site, with a site area of approximately 90,336 sq.m., have been granted by Guangzhou City People's Government to Party B from 11th November, 2005 in regard to the signing of Grant Contract No. 8, Grant Contract No. 9 and Grant Contract No. 10.

- (16) Pursuant to a Land Use Right Grant Contract No. (2004) 67 (穗國地出合(2004) 67號) ("Grant Contract No. 11") dated 8th April, 2004 entered into 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 Right 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) Clinic	:	1,014 sq.m.
(iv) Community Centre	:	100 sq.m.
(v) Market for Industrial Products	:	1,000 sq.m.
(vi) Fire Station	:	2,223 sq.m.
(vii) Primary School	:	5,599 sq.m.
(viii) Hospital	:	14,270 sq.m.
(ix) Hygiene Control Centre	:	100 sq.m.
(x) Cultural Activities Centre	:	100 sq.m.
(xi) Basement	:	3,000 sq.m.

- (17) Pursuant to the Business Licence No. 4401011102446 issued by the Guangzhou Industry and Commerce Administration Bureau 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 (Guongzhong Factory) into a residential development.

- (18) As confirmed by the Company, China EverBright Real Estate has an attributable interest of 50% in Party B. 廣州廣重房地產開發有限公司(Guangzhou Guang Zhong Real Estate Development Company Limited) and 廣州廣重企業集團有限公司(Guangzhou Guang Zhong Enterprises Group Company) are independent third parties of China EverBright Real Estate.
- (19) Pursuant to the Construction Land Planning Permit No. (1998) 47 (穗規地証字(1998)第47號) 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) 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. for road area) for residential uses was permitted.
- (20) Pursuant to the Construction Land Planning Permit No. (1998) 301 (穗規地証字(1998)第301號) 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) 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. for road area and 4,644 sq.m. for green area) for residential uses was permitted.
- (21) Pursuant to the Construction Engineering Planning Permit No. (1999) A010 (穗規海建公字1999A010號) dated 25th March, 1999 in favour of Party B, the development of one 12-storey (with basement) building having a total gross floor area of approximately 17,600 sq.m. was permitted.
- (22) Pursuant to the Construction Engineering Planning Permit No. (1999) A095 (穗規海建公字[1999]第A095號) 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.
- (23) Pursuant to the Construction Engineering Planning Permit No. (1999) A088 (穗規海建公字[1999]A088號) dated 14th September, 1999 in favour of Party B, the development of one 12-storey (with half of basement) building having a total gross floor area of approximately 11,090 sq.m. was permitted.
- (24) Pursuant to the Construction Engineering Planning Permit No. (2001) 165 (穗海規建[2001]165號) dated 23rd November, 2001 in favour of Party B, the development of two 12-storey (with basement) buildings having a total gross floor area of approximately 26,192.988 sq.m. was permitted.
- (25) Pursuant to the Construction Engineering Planning Permit No. (2003) 441 (穗海規建[2003]441號) 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.
- (26) Pursuant to the Construction Engineering Planning Permit No. (1999) A111 (穗規海建公字1999第A111號) 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.
- (27) Pursuant to the Construction Engineering Planning Permit No. (2000) 014 (穗規海建公字[2000]第014號) 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.
- (28) Pursuant to the Construction Engineering Planning Permit No. (1999) A148 (穗規海建公字[1999]第A148號) dated 23rd November, 2001 in favour of Party B, the development of one 4-storey (with basement) 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.



- (29) Pursuant to the Construction Engineering Planning Permit No. A162 (穗規海建公字第A162號) 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 (with half of basement) building having a gross floor area of approximately 2,772 sq.m. was permitted.
- (30) Pursuant to the Construction Engineering Planning Permit No. (2000) 315 (穗規建字(2000)第315號) 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.
- (31) Pursuant to the Construction Engineering Planning Permit No. (2001) 210 (穗海規建2001年210號) dated 7th March, 2002 in favour of Party B, the development of one 5-storey (with basement) building having a total gross floor area of approximately 39,669 sq.m. was permitted.
- (32) Pursuant to the Construction Engineering Planning Permit No. (2003) 140 (穗海規建[2003]140號) 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.
- (33) Pursuant to the Construction Engineering Planning Permit No. (2003) 639 (穗規建証(2003)第639號) 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.
- (34) Pursuant to the Construction Engineering Planning Permit No. (2004) 591 (穗規建証(2004)591號) 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.
- (35) Pursuant to the Construction Engineering Planning Permit No. (2005) 1835 (穗規建証(2005)1835號) dated 31st October, 2005 in favour of Party B, the development of a total gross floor area of approximately 240,083 sq.m. was permitted.
- (36) Pursuant to the Construction Engineering Planning Permit No. (2005) 1945 (穗規建証(2005)1945號) dated 10th November, 2005 in favour of Party B, the development of a total gross floor area of approximately 9,203 sq.m. was permitted.
- (37) A number of Construction Works Commencement Certificate 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 with basement
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-4, 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 (with basement) blocks
440101200206280201	28th June, 2002	School	39,669	One 5-storey (with basement) building
440101200308280301	28th August, 2003	D1, D2	100,431	Two 18-storey (with basement) residential blocks
440101200308280401	28th August, 2003	D3 to D5	107,148	Three 18-storey (with basement) 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 (with basement) residential blocks
440101200511180101	18th November, 2005	E1 to E10	240,083	Ten 33-storey (with basement) residential blocks
440105060824050101	24th August, 2006	Cinema & Cultural Centre	9,203	One 5-storey block with a portion has 2-storey

- (38) Pursuant to 18 Pre-sale permits nos. 19990198, 20000032, 20000150, 20010075, 20000028, 20000031, 20010197, 20020107, 20020202, 20020072, 20030177-3, 20040088-2, 20040015-4, 20030200-6, 20040019-2, 20040006-2, 20040255-2 and 20060038-5, Party B has obtained permission from Land Resources and Buildings Administration Bureau of Guangzhou City for the pre-sale of 6,429 residential and commercial units and 170 car parking spaces which have a total gross floor area of approximately 661,277.77 sq.m.
- (39) Pursuant to a loan agreement dated 15th December, 2004 entered into between Party B and Industrial and Commercial Bank of China (Gongye Avenue Branch) (“the Bank A”), the Bank A agreed to lend RMB90,000,000 to Party B for a term from 15th December, 2004 to 13th December, 2007 in which a land use right with a site area of 26,391 sq.m. is subject to mortgage. .
- (40) Pursuant to a loan agreement dated 10th March, 2006 entered into between Party B and Bank of China Limited (Guangzhou Haizhu Branch) (“the Bank B”), the Bank B agreed to lend RMB198,000,000 to Party B for 36 months in which a portion of Block E3, E4 and E8 and the underground carport of Block E1-E10 with a total gross floor area of 49,809.52 sq.m., a portion of Block E3 with a gross floor area of 6,181.70 sq.m. and a portion of Block E9 with a gross floor area of 15,627.93 sq.m. are subject to mortgage.

(41) The following Land Use Right Certificates are subject to mortgage with particulars summarised as follows:

Land Use Right Certificate No.	Encumbrance Case No.	Mortgagee	Mortgage Value (RMB)	Scope of Mortgage
(1999) 204	(2002)17315	Industrial and Commercial Bank of China (Gongye Avenue Branch)	84,179,562	Commercial units on Level 1 and 8 residential units of Block B1, Phase B
(2002) 18	(2004)25273	Industrial and Commercial Bank of China (Gongye Avenue Branch)	59,640,000	Car parking space nos. 1-162 of Basement Level 1 of Block D1-D4
(2002) 19	(2004)25623	Bank of China Limited (Haizhu Branch)	34,043,600	Commercial units of Level 1 and Level 2 of Block A7-A8, Phase A
(2004) 82	(2006)1080346	Industrial and Commercial Bank of China (Gongye Avenue Branch)	16,000,000	Underground carport of Block D1, D2, A1-A3, B1, B2, C1 and C2
(2004)368	(2005)6478	Industrial and Commercial Bank of China (Gongye Avenue Branch)	183,006,800	Land use right with a total site area of 23,073 sq.m.
(2005)291	(2006)1081572	Bank of China Limited (Haizhu Branch)	40,638,495	45 units of Block E3
(2005)291	(2006)1082021	Bank of China Limited (Haizhu Branch)	96,221,164	128 units of Block E9
(2005)291	(2006)1082284	Bank of China Limited (Haizhu Branch)	198,964,682	99 units of Block E3, 1 unit of E4 and 28 units of E8

(42) The Company's PRC legal adviser on PRC laws is of the opinion, inter alia, that:

- (i) Party B has obtained Real Estate Development Enterprise 2nd Class Qualification Certificate. Party B could not handle development project with a gross floor area with more than 250,000 sq.m. But, the actual development of Party B has exceeded the said limit. Party B has exceeded the class of qualification in operating real estate development. The relevant authority can order Party B to rectify within a time limit and give a penalty of more than RMB50,000 but less than RMB100,000; if it is not rectified within the time limit, the industry and commerce administration management authority can revoke its business licence;
- (ii) Apart from the site with approximately 87,902 sq.m., Party B has legally obtained the Land Use Right Certificates of the entire property. Apart from the sold units and the sealed up units mentioned in sub-note (v), Party B has legally owned the remaining property and its respective land use rights and has the right to transfer, lease, mortgage or otherwise dispose of the said property and its respective land use rights; however, for those mortgaged property, Party B has the right to transfer, lease, mortgage or otherwise dispose of the said land use right upon obtaining prior consent from mortgagees;

- (iii) As advised by the Company, as the demolition and resettlement has not been completed, approximately 87,902 sq.m. of the granted land (as confirmed by the Company, part of the said land is Phase F2) has not been applied for Land Use Right Certificate; there is no material legal obstacle in applying for the Land Use Right Certificate for the said land upon the completion of demolition and resettlement on the said land;
- (iv) Party B has fully settled the land premium of all the Land Use Right Grant Contracts;
- (v) For the sealed up property comprising approximately 57 units of Block E4, approximately 16 units of Block E5 and approximately 62 units of Block E8, before the removal of court orders, Party B could not transfer, lease, mortgage or otherwise dispose of the said units and their respective land use rights. Before the quarrel of the loan agreement has been settled between Party B and Industrial Bank Co., Ltd Dongfeng Branch, unless Party B provides satisfactory guarantee to the court, the court orders would not be removed;
- (vi) For Block A7, Block A8, Phase D and Block F1 which have been delivered for use, Party B has not provided with the record document for examination of works completion. In accordance with the relevant requirement of the law, the development could be delivered for use after the passing of the examination of works completion; otherwise, the property delivered for use without having been examined and has not completed for the procedure within the time limit, relevant government authorities have the right to fine for an amount between RMB100,000 and RMB300,000;
- (vii) For those pre-sold units without completing the formal transfer procedure, Party B has to transfer the building ownership of those units and deliver those units to the purchasers upon the full settlement of outstanding purchase price by the purchasers pursuant to conditions of the contracts. Before the register of transfer of title by government authority, the building ownership including its respective land use rights is still held by Party B; but, without the consent from purchasers and the cessation of the said contracts, Party B has no right to transfer, lease, mortgage or otherwise dispose of those units and their respective land use rights; and
- (viii) Guangzhong Factory has not complied with the Land Use Right Grant Contract on the demolition and resettlement. Guangzhou Land Resources Bureau has the right to cancel the Land Use Right Grant Contracts, confiscate the paid land premium or to charge land idling fee. Party B should negotiate with the land authority for the extension of time period.
- (43) As advised by the Company, the 135 units mentioned in Note 42 (v) have a total gross floor area of approximately 17,606 sq.m. The market value of the said sealed up portion in the existing state as at 31st October, 2006 is RMB102,000,000. In the course of our valuation, we have already deducted the market value of those seal up units from the market value of the entire property.
- (44) We are advised by the Company that 742 residential units of Phase E with a total gross floor area of 93,282.72 sq.m. had been pre-sold at a total contracted value of RMB810,036,993. According to the Company's instruction, the pre-sold portion is included in this valuation. In the course of valuing such pre-sold areas, we have made reference to the said unit price on those portion. The market value of the pre-sold portion at its existing state and as if it were completed as at 31st October, 2006 are RMB540,000,000 and RMB816,000,000 respectively.
- (45) We have relied on the aforesaid legal opinion from the PRC legal advisor and have assigned no commercial value to Phase F2 of the property because of no Land Use Right Certificate.

(46) The breakdown of valuation into 4 parts are as follows:

- (i) Unsold residential units of Phase A to D and F1 and quarters for Secondary School : RMB10,000,000
- (ii) Unsold non-residential units of Phase A to D and F1 : RMB64,000,000
- (iii) Phase E : RMB1,124,000,000
- (iv) Phase F2 : No Commercial Value

(47) We are advised by the Company that the estimated outstanding construction costs to complete the proposed development of Phase E and the cost of construction incurred in its existing state as at 31st October, 2006 are RMB209,000,000 and RMB445,000,000 respectively. Based on the assumption that the court orders for the sealed up units of Phase E have been removed which has resulted in the whole Phase E has a proper title and can be freely transferable and taking into account of the aforesaid outstanding construction costs, the market value of the Phase E in its existing state was estimated at RMB1,226,000,000 as at 31st October, 2006.

(48) Based on the assumption that the land use rights of Phase F2 of the property have been obtained and the cost for the demolition and resettlement have been fully settled which has resulted in Phase F2 has a proper title and can be freely transferable, the market value of Phase F2 of the property in its existing state was estimated at RMB690,000,000 as at 31st October, 2006. As advised by the Company, the said cost of demolition and resettlement is estimated at RMB390,000,000.

(49) Overall, based on the assumption that the land use rights of the entire property have been obtained, the sealed up orders have been removed and the demolition and resettlement cost has been fully settled, the breakdown of valuation of the entire property is as follows:

- (i) Unsold residential units of Phase A to D and F1 and quarters for Secondary School : RMB10,000,000
- (ii) Unsold non-residential units of Phase A to D and F1 : RMB64,000,000
- (iii) Phase E : RMB1,226,000,000
- (iv) Phase F2 : RMB690,000,000

## Group II – Property held for future development

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31st October, 2006
6. A piece of land at the west of Gong Ye Da Road North, Haizhu District, Guangzhou, Guangdong Province The PRC	<p>The property comprises a plot of site next to Guangzhou Guan Da Hua Yuan which was previously occupied by a rubber factory and has a site area of approximately 43,288 sq.m.</p> <p>This property is proposed to be developed into residential blocks with ancillary community facilities. Upon completion, the proposed development will provide gross floor areas of approximately 144,480 sq.m. for residential use, 6,650 sq.m. for communal uses and 400 car parking spaces.</p> <p>The property was granted for land use right terms of 70 years for residential uses, 40 years for commercial, tourism and entertainments uses, 50 years for other uses commencing from 18th October, 2005.</p>	The site is currently vacant and pending for development.	RMB289,000,000 (80% attributable to China EverBright Real Estate: RMB231,200,000)

*Notes:*

- (1) Pursuant to a Land Use Right Grant Contract No. (2004) 326 (穗國地出合[2004]326號) (the “Contract”) dated 31st August, 2004 entered into between Guangzhou City Land Resources and Building Administration Bureau (“Party A”) as the grantor and 廣州廣橡輪胎企業集團有限公司廣州第十一橡膠廠(Guangzhou Factory Rubber Tire Group Company Limited Guangzhou the Eleventh Rubber Factory) (“Party B”) and 廣州市華莎房地產開發有限公司(Guangzhou City Hua Sha Real Estate Development Company Limited) (“Party C”) jointly as grantee (the “Grantee”), the land use rights of approximately 43,420 sq.m. of the site was granted by Party A to the Grantee 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 Right Certificate and at a land premium of RMB51,675,916. The developable gross floor areas stated in the Contract are as follows:

(i) Residential	:	144,480 sq.m.
(ii) Primary School	:	3,800 sq.m.
(iii) Nursery	:	1,500 sq.m.
(iv) Residents’ Committee	:	100 sq.m.

- |        |                           |   |           |
|--------|---------------------------|---|-----------|
| (v)    | Hygiene Control Centre    | : | 100 sq.m. |
| (vi)   | Latrine                   | : | 50 sq.m.  |
| (vii)  | Refuse Compression Point  | : | 100 sq.m. |
| (viii) | Elderly Activities Centre | : | 100 sq.m. |
| (ix)   | Cultural Centre           | : | 400 sq.m. |
| (x)    | Post Office               | : | 300 sq.m. |
| (xi)   | Book Store                | : | 200 sq.m. |
- (2) Pursuant to a supplementary agreement dated 28th June, 2005, the land premium stated in the Contract had been amended to RMB45,156,916 as the educational facilities on the property should be transferred.
- (3) Pursuant to the agreement dated 28th December, 2004 entered into among Party B, Party C, 廣州市光大花園房地產開發有限公司 (Guangzhou City Guang Da Hua Yuan Real Estate Development Company Limited) (“Party D”) and廣州市華浩房地產開發有限公司 (Guangzhou City Hua Hao Real Estate Development Company Limited) (“Party E”), Party E which is the joint venture of Party B and Party C agreed to withdraw from the project and forgo the right of development, construction, operation and all relevant rights on the property and Party D did not have to compensate or pay any amounts to Party E. During the transfer, Party B and Party C should transfer all of their interests to Party D and Party D should guarantee to pay compensation to Party B and Party C.
- (4) Pursuant to the transfer agreement dated 29th December, 2004 entered into between Party C and Party D, Party C should transfer all the relevant interest to Party D and Party D has to pay RMB22,000,000 to Party C as compensation.
- (5) Pursuant to the co-operative agreement dated 30th December, 2004 entered into among Party B, Party D and 廣州橡膠企業集團有限公司 (Guangzhou Rubber Enterprise Group Company Limited) (“Party F”), Party D agreed to pay to Party B an amount of RMB134,400,000.
- (6) Pursuant to Land Use Right Transfer Contract dated 9th November, 2005 entered into between Party C and 廣州光大置業有限公司 (Guangzhou Everbright Properties Co. Ltd) (“Party G”), Party C should transfer 80% of the interest of the property to Party G at a consideration of RMB40,000,000.
- (7) Pursuant to Land Use Right Certificate No. (2005) 10098 (穗國用 (2005) 第10098號) dated 20th December, 2005, the land use rights of the site, having a site area of approximately 43,288 sq.m., have been granted by Guangzhou City People’s Government to Party B and Party G jointly as grantee 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 from 18th October, 2005 (as Party G has acquired the land use right from Party C). Party B and Party G owned 20% and 80% of the interest of the property respectively.
- (8) Pursuant to the agreement dated 1st March, 2006 entered into among Party F, Party B, Party D and Party G, the responsibility and interest of Party B should be transferred to Party F and the responsibility and interest of Party D should be transferred to Party G. For the 20% of interest on the property held by Party F or Party B, it is nominal and they would not enjoy any interest on the property. Party G could request Party F and Party B to transfer their 20% nominal interest to Party D in which Party D or Party G need not pay any amounts to Party F and Party B for the transfer.

- (9) Pursuant to the Business Licence No. 4401011110625 issued by the Guangzhou City Industry and Commerce Administration Bureau dated 30th September, 2005, Party G was established with a registered capital of RMB10,000,000 and the scope of business is to carry out real estate development, self-owned capital investment, investment consultancy, real estate information consultancy and property management.
- (10) As confirmed by the Company, China EverBright Real Estate has an attributable interest of 100% and 50% in Party G and Party D respectively. Party A, Party B, Party C, Party E and Party F are independent third parties of China EverBright Real Estate.
- (11) The Company's PRC legal adviser on PRC laws is of the opinion, inter alia, that:
- (i) The agreements as mentioned in Note 3, 4 and 5 have not explicitly stated how Party B assisted Party D in obtaining the property. The said agreements only mentioned that Party B proposed to transfer to Party D all of its interest of the property through listing. However, in accordance with the PRC Real Estate Management Law, the transferor can transfer the land after the transferor has paid all the land premium, obtained the Land Use Right Certificate and completed 25% of the total investment of development of the property. As advised by Party G, the land has not been developed; and, thus Party C has not met the conditions for the transfer of property to Party G. The above mentioned conditions would not affect the legality and validity of the Land Use Right Certificate No. (2005) 10098 and would not affect Party G in legally obtaining the 80% interest of the entire property;
  - (ii) As advised by Party G and in accordance with the Guangzhou Government Fund (Capital) General Invoice No. BA01796121 dated 1st June, 2006 provided by Party G, Guangzhou Land Resources Bureau and relevant government authorities have adjusted the land premium of the property. Therefore, Party D in lieu of Party B and Party C has paid the land premium and the late fee in a total amount of RMB41,540,615. However, Party G has not provided documents for the adjustment of land premium;
  - (iii) For the entire property, Party B and Party G has legally owned the Land Use Right Certificate No. (2005) 10098 and Party B and Party G have legally owned 20% and 80% of the land use rights of the entire property respectively; Party G has legally owned 80% of the interest of the land use rights and has the right to transfer, lease, mortgage or otherwise dispose of 80% of the interest of the said land use rights after the completion of 25% of the total investment of the development of the property and obtaining consent from Party B;
  - (iv) the land premium under the Contract has been fully settled;
  - (v) Party G has not fully settled the consideration under the Land Use Right Transfer Contract; and
  - (vi) Party G has obtained the Construction Land Planning Permit and is applying for Construction Engineering Planning Permit.
- (12) As advised by Company, Party G has settled an amount of RMB22,000,000 under the contract as mentioned in Note 6 and Note 11 (v) and the outstanding consideration is RMB18,000,000. In the course of our valuation, we have already deducted the said outstanding consideration of RMB18,000,000 from the market value of the property.



Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31st October, 2006
7. A piece of land to the east of Guiyang Highway (currently occupied as Liang Feng Farm), Yanshan Town, Yanshan District, Guilin, Guangxi Zhuang Autonomous Region, The PRC	<p>The property comprises a plot of site to the east of Guiyang Highway which is still occupied by Liang Feng Farm with a site area of approximately 4,114,524 sq.m.</p> <p>This property is proposed to be developed into 2 phases. Phase 1 is planned as a comprehensive leisure zone which comprises of commercial complex, apartments with resettlement housing. Phase 2 is planned as golf zone which contains 2 golf courses, hotel and villa. The 2 golf courses in Phase 2 have not been taken in account as part of the property.</p> <p>Upon completion the proposed development will provide gross floor areas of approximately 1,184,710 sq.m. for residential uses, 37,000 sq.m. for resettlement housing uses, 160,933 sq.m. for hotel uses, 41,380 sq.m. for commercial uses and 432 car parking spaces.</p> <p>A portion of the property with a site area of approximately 343,678 sq.m. was granted for land use right terms of 70 years for residential uses and 40 years for commercial uses commencing from 15th October, 2005.</p>	The site is currently occupied by Liang Feng Farm and is pending for development.	No Commercial Value

*Notes:*

- (1) Pursuant to Co-operation Agreement dated 7th August, 2002 entered into between 廣西農墾集團有限責任公司 (Guangxi Nong Ken Group Company Limited) (“Company A”) and 廣西國有良豐農場 (Guangxi State-owned Liang Feng Farm) (“Company B”) jointly as Party A of the agreement and 中國光大房地產開發公司 (China EverBright Real Estate) (“Company C”) and 北京市立元房地產有限責任公司 (Beijing City Li Yuan Real Estate Company Limited) (“Company D”) jointly as Party B of the agreement, Party A and Party B would develop the site with an area of approximately 978.81 hectares in which the land use rights were owned by Party A. Party B is responsible for capital raising, project planning and design, management of construction works and sales and marketing of the project. Party A and Party B jointly formed a company called 廣西桂林光大立元生態家園開發建設有限公司 (Guangxi Guilin Guang Da Li Yuan Sheng Tai Jia Yuan Development Company Limited) (“Company E”). The salient conditions as stipulated in the Co-operation Agreement are as follows:
- (i) Name of joint venture company: Company E
  - (ii) Total investment amount: RMB3,500,000,000
  - (iii) Registered capital: RMB10,000,000
  - (iv) Equity sharing ratio: Party A – 30% and Party B – 70%
  - (v) Profit sharing ratio: Party A – 30% and Party B – 70%
- (2) Pursuant to Supplemental Co-operation Agreement dated 20th January, 2006 entered into between Company A and Company B jointly as Party A of the agreement and 廣西光大旅遊投資有限公司 (Guangxi Guang Da Travel Investment Company Limited) (which was a joint-venture company formed by Company C and Company D) as Party B of the agreement, the salient terms and conditions of the agreement are listed as follows:
- (i) In the originally planned construction land of 1,051 hectare (in which 978.81 hectare was owned by Company B), Company B would be responsible for the development of land having a total of 454.90 hectare. The development of remaining portion would be responsible by Company E;
  - (ii) Party A should be responsible for the job arrangement of 30% of farm staff whereas Company E should be responsible for compensation of plant, compensation of building demolition and resettlement and the job arrangement of 70% of staff;
  - (iii) Compensation of building demolition and resettlement should be a composite of compensation in money and compensation of building;
  - (iv) Two golf courses could be developed in which Company E would lease the land from Company B for a term of 50 years. In the first 5 years from the signing of lease, the annual rental is RMB500/mu and the rental would adjust RMB100/mu upwards every 5 years. Party A of the agreement should receive the rental only and should not share the profit of running the golf courses;
  - (v) Revenue generated from the real estate development on the leased golf courses area should be regarded as the revenue of Company E. The rights and responsibility of each party should follow those in the Co-operation Agreement and the Supplemental Co-operation Agreement; and

- (vi) The project is preliminary divided into two phases. Phase 1 is planned as a comprehensive leisure zone on Lot A-6 and A-7 with a total site area of approximately 2,650 mu whereas Phase 2 is planned as golf course zone on Lot A-1, A-2 (except A-2-1), A-3, A-4 and A-5 with a total site area of approximately 4,750 mu (including 600 mu of farmers' land). It is estimated that Phase 1 would be commenced before June 2006 and the whole project would be completed before 2015.
- (3) We are advised by the Group that there is no cost for the arrangement of job allocation for staff and no money compensation for the compensation of building demolition and resettlement. The Group advised that the compensation of plant is about RMB200,000.
- (4) Pursuant to a Land Use Right Grant Contract No. (2005) 2324 ([2005]2324號) (the "Contract") dated 15th October, 2005 entered into between Guilin City Land Resources Bureau ("Party C") and Company E, the land use rights of approximately 724,395.515 sq.m. (224,188 sq.m. for commercial uses and 500,207.515 sq.m. for residential uses) of the site was granted by Party C to Company E for a term of 70 years for residential uses and 40 years for commercial uses commencing from 15th October, 2005 and at a land premium of RMB37,089,050.37.
- (5) Pursuant to Land Use Right Certificate No. (2006) 000333 (桂市國用(2006)第000333號) dated 25th May, 2006, the land use rights of the site, having a site area of approximately 112,096.98 sq.m., have been granted by Guilin City People's Government to Company E for commercial uses expiring on 14th October, 2045.
- (6) Pursuant to Land Use Right Certificate No. (2006) 000334 (桂市國用(2006)第000334號) dated 25th May, 2006, the land use rights of the site, having a site area of approximately 112,091.02 sq.m., have been granted by Guilin City People's Government to Company E for commercial uses expiring on 14th October, 2045.
- (7) Pursuant to Land Use Right Certificate No. (2006) 000335 (桂市國用(2006)第000335號) dated 25th May, 2006, the land use rights of the site, having a site area of approximately 119,490.009 sq.m., have been granted by Guilin City People's Government to Company E for residential use expiring on 14th October, 2075.
- (8) Pursuant to the Construction Land Planning Permit No. (2004) 327 ((2004)327號) dated 26th August, 2004 in favour of Company B and Company E, the development of a site area of 10,510,000 sq.m. was permitted.
- (9) Pursuant to the Business Licence No. 4503001104744(1-1) issued by the Guilin City Industry and Commerce Administration Bureau dated 29th October, 2002, Company E was established with a registered capital of RMB10,000,000 and the scope of business is to carry out ecological scenery development, real estate development and property management.
- (10) As confirmed by the Company, China EverBright Real Estate has an attributable interest of 49.7% in Company E which is a jointly controlled entity of China EverBright Real Estate. Company A and Company B are minority shareholders of Company E and Company C is an independent third party of China EverBright Real Estate.
- (11) We are advised by the Group that the unused permitted gross floor area of Lot A-6-4 for resettlement housing uses under 桂林市相思江生態家園控制性詳細規劃附件(A地塊) (Guilin City Xiang Si Jiang Sheng Tai Jia Yuan Master Detailed Planning Appendix (Lot A)) could be converted for residential uses. As advised by the Group, the gross floor area for residential uses in the resettlement housing area was 24,000 sq.m. We also assumed the gross floor area for the ancillary facilities in the resettlement housing area to be 13,000 sq.m.

- (12) The Company's PRC legal adviser on PRC laws is of the opinion, inter alia, that:
- (i) As at the date of the issue of the legal opinion, Company E has not fully settled all the land premium to Party C. In accordance with the Contract, Company E has to pay the 2nd phase of the land premium at RMB19,492,736.30 before 15th October, 2007;
  - (ii) As part of the property with a site area of 724,395.515 sq.m. is not obtained by auction, tender or public listing, legality and validity of the Contract might be affected; and, thus the three Land Use Right Certificates mentioned in Notes 5 to 7 with a total site area of 343,678.009 sq.m. might be affected and Company E might not obtain the Land Use Right Certificate for the remaining site with an area of approximately 380,717.506 sq.m.; If Company E obtains the land use rights through auction, tender or public listing and fully settles the land premium, there is no material legal obstacle for Company E to obtain the land use rights of the entire property;
  - (iii) Company E has not obtained approval from the relevant authorities regarding the development of the entire property; and
  - (iv) the Real Estate Development Enterprise Temporary Qualification Certificate of Company E was expired on 30th May, 2005 and Company E should apply for extension from the relevant authority; otherwise, the real estate development authority of the People's Government with above county level has the right to fine Company E with an amount of more than RMB50,000 but less than RMB100,000; if it is not rectified within the time limit, the business licence might be revoked.
- (13) We have relied on the aforesaid opinion from the PRC legal adviser and have assigned no commercial value to the property interest held by Company E. It is because for the portion of the property granted under the Contract with a site area of approximately 724,395.515 sq.m., there is no land use rights for the land with site area of 380,717.506 sq.m. and the legality and validity of the land use rights of the remaining portion with a site area of 343,678.009 sq.m. as mentioned in Note 12(ii) might be affected. In addition, there is no land use rights for the remaining portion of the entire property with a site area of approximately 3,390,128 sq.m.
- (14) We would like to further advise that if the land use rights of the entire property have been legally obtained, all the land premium has been fully paid and the design and construction of the proposed development are in compliance with the local planning regulations and have been approved by the relevant authorities which has resulted in the entire property has a proper title and can be freely transferable, the capital value of the property would be approximately RMB797,000,000.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31st October, 2006
8. Various piece of land around the Er Huan Lu, Hohhot, Inner Mongolia Autonomous Region, The PRC	<p>The property comprises various pieces of land around the Er Huan Lu of Hohhot.</p> <p>This property has a site area of not less than 12,600 mu in which 3,248 mu of land lies along the both sides of Er Huan Lu. Not less than 9,600 mu of the property would be used for real estate development.</p> <p>The property has not been granted for land use rights.</p>	Majority portion of the site is currently vacant with portions of which occupied for various kinds of purpose. The site is pending for resumption prior to development.	No Commercial Value

*Notes:*

- (1) Pursuant to Co-operation Agreement dated 28th August, 2005 entered into between 呼和浩特繞城公路建設開發有限責任公司 (Hohhot Rao Cheng Gong Lu Construction and Development Company Limited) (“Party A”) and China EverBright Real Estate (“Party B”), the salient terms and conditions of the agreement are listed as follows:
- (i) Party A and Party B would set up a joint venture company, 呼和浩特光大環城建設開發有限公司 (Hohhot Guang Da Huan Cheng Construction and Development Company Limited) (“JV Company”)
  - (ii) JV Company should be responsible for the primary development of the property and the capital should be raised by Party B;
  - (iii) Party A has incurred a cost of RMB1,500,000,000 for construction of highway. Party B has to compensate Party A for the said cost whether the joint venture earns profit or not;
  - (iv) Party A promised that not less than 9,600 mu of the property should be designed as real estate development;
  - (v) Equity sharing ratio: Party A – 20% and Party B – 80%
  - (vi) Revenue generated from the property should be allocated in accordance with the share of each party. Such revenue refers to income received after deducting the following cost:
    - (a) Land Development Cost
      - Compensation of highway construction cost to Party A at RMB1,500,000,000
      - Land resumption compensation expenses
      - Land resumption administration expenses
      - Land development cost after resumption
    - (b) Land Transaction Fee
    - (c) Portion of received land premium given to the Finance Division of the State and Inner Mongolia Autonomous Region;

- (vii) JV Company could sell not less than 1,500 mu of land per year; and
- (viii) For the compensation of highway construction cost to Party A at RMB1,500,000,000, the payment schedule is as follows:
- (a) In 2005, JV Company should pay RMB400,000,000 to Party A in which RMB100,000,000 of it should be paid within 1 month from the set up of JV Company;
  - (b) In 2006 subject to JV Company being get the planning of the first phase with not less than 1,500 mu, JV Company should pay RMB300,000,000 to Party A in which RMB100,000,000 of it should be paid before 10th March, 2006;
  - (c) From 2007 onwards, JV Company should pay RMB200,000,000 to Party A until it is fully settled; and
  - (d) The payment schedule is negotiable if there is special condition.
- (2) We are advised by the Group of the estimated costs as mentioned in Notes (1) (vi) are as follows:
- (a) For the land development cost, it comprises the resettlement cost, compensation for plant and the compensation to the village committee in the sum of RMB75,000 per mu, RMB25,000 per mu and RMB60,000 per mu respectively, on the basis of the total site area of 12,600 mu and the infrastructure cost for road in the sum of RMB75,000 per mu on the basis of the real estate development site area of 9,600 mu;
  - (b) The land transaction fee is 2% of the sales price of the land; and
  - (c) There is no land premium to be payable to the Finance Division of the State and Inner Mongolia Autonomous Region.
- (3) Pursuant to the Business Licence No. 1501001001480 issued by the Hohhot City Industry and Commerce Administration Bureau dated 21st October, 2005, JV Company was established with a registered capital of RMB120,000,000 and the scope of business is to carry out the management of communal facilities, real estate development and management.
- (4) As confirmed by the Company, China EverBright Real Estate has an attributable interest of 80% in JV Company. Party A is the shareholder of JV Company.
- (5) There is no architectural plan approved for the property.
- (6) The Company's PRC legal adviser on PRC laws is of the opinion, inter alia, that:
- (i) JV Company has legally obtained the franchise for the primary development of land with a total site area of approximately 5,600 mu around the Er Huan Lu. JV Company has not obtained the land use right of the developed land; if JV Company would like to obtain the land use right of the whole or a portion of the developed land, JV Company has to implement for the relevant land grant procedure and pay the land premium in accordance with the law; and
  - (ii) For the development of the land of Xiaotaishi, Dataishi and Houqiaobao Village, JV Company has to obtain the approval from relevant government authorities for the land pre-development feasibility report and construction land approval letter and Construction Land Planning Permit for the pre-development of land issued by land administration management authority and planning management authority.

- (7) We have relied on the aforesaid opinion from the PRC legal adviser and have assigned no commercial value to the property interest held by the JV Company because of no land use rights.
  
- (8) We would like to further advise that if the land use rights of the entire property have been obtained and all the land premium has been fully paid which has resulted in the entire property has a proper title and can be freely transferable, the capital value of the property would be approximately RMB839,000,000.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31st October, 2006
9. A plot of land at Nos. 11-15 Xueyuan South Road, Haidian District, Beijing, The PRC	<p>The property comprises a plot of land with a site area of approximately 14,150.51 sq.m. (152,316 sq.ft.), which is planned to develop into a residential/office/commercial comprehensive development with a proposed gross floor area of approximately 114,940 sq.m. (1,237,214 sq.ft.).</p> <p>The land use right of the property is held for terms expiring on 30th August, 2044 for commercial and commercial (underground) uses; on 30th August, 2054 for office and car parking (underground) uses; and on 30th August, 2074 for residential and apartment uses.</p>	The property is currently under site formation.	RMB350,000,000 (35.7% attributable to China EverBright Real Estate: RMB124,950,000)

*Notes:*

- (1) Pursuant to the Land Use Right Grant Contract No. (2004) 1302 (京地出合字(2004)第1302號) (“the Contract”) entered into between Beijing City Land Resources Bureau (“Party A”) and 北京中順超科房地產開發有限公司 (Beijing Zhongshun Chaoke Property Development Company Limited) (“Party B”) dated 31st August, 2004, the land use rights of the property having a site area of 12,150 sq.m. were granted by Party A to Party B for commercial, residential, apartment, office and underground carpark uses for a term of 40 years, 70 years, 70 years, 50 years and 50 years respectively from the date of contract. The total land premium payable by Party B is RMB104,415,500.
- (2) Pursuant to a supplemental agreement dated 20th September, 2005, the conditions of the Contract was revised and the salient conditions of this agreement, inter alia, are as follows:
- (i) Site Area : 14,150.51 sq.m.
  - (i) Land Use : Commercial, residential, apartment, office, underground carpark and underground commercial
  - (iii) Land use right terms : 40 years for commercial and underground commercial; 70 years for residential and apartment; and 50 years for office and underground carpark



- (iv) Gross Floor Area : Total gross floor area of 114,940 sq.m., including 83,650 sq.m. above ground comprising 16,863 sq.m. for commercial, 11,187 sq.m. for residential, 28,403 sq.m. for apartment, and 27,197 sq.m. for office); and 31,290 sq.m. underground comprising 11,649 sq.m. for carpark, 6,021 sq.m. for commercial, 5,918 sq.m. for plant room, 730 sq.m. for bicycle parking and 6,972 sq.m. for defense area)
- (v) Land Premium : RMB105,625,050
- (3) Pursuant to Land Use Right Certificate No. (2005) 3553 (京海國用(2005出)第3553號) dated 24th November, 2005, the land use rights of the property, having a site area of approximately 14,150.51 sq.m. have been granted by Beijing City People's Government to Party B for a term expiring on 30th August, 2044 for commercial and underground commercial uses; on 30th August, 2054 for office and underground carpark uses; and on 30th August, 2074 for residential and apartment uses.
- (4) Pursuant to the Business License No. 1101082175644 issued by Beijing City Industry and Commerce Administration Management Bureau dated 24th November, 2005, Party B was established with a registered capital of RMB10,000,000 for a period from 14th November, 2000 to 13th November, 2020 and the scope of business includes property development.
- (5) As advised by the Company, China EverBright Real Estate has an attributable interest of 35.7% of Party B. China EverBright Real Estate has an attributable interest of 51% of 北京金華星置業有限公司 (Beijing Jinhua Xing Properties Company Limited) ("Party E"). Party E has an attributable interest of 70% of Party B. Party A, 北京住總集團有限責任公司 (Beijing Zhuzong Group Company Limited) ("Party C"), 北京新世紀信息紙廠 (Beijing New Century Information Paper Factory) ("Party D"), and 北京市新華書店 (Beijing Xinhua Bookstore) ("Party F") are independent third parties of China EverBright Real Estate.
- (6) Pursuant to the Construction Land Planning Permit No. (2005) 0055 (2005規地字0055號) dated 7th April, 2005 in favour of Party B and 北京市新華書店 (Beijing Xinhua Bookstore), a plot of land, comprising a total site area of 30,374.59 sq.m, is permitted. We have been advised by the Company that the subject property with a site area of 14,150.51 sq.m. comprises portion of the said land mentioned in the said planning permit.
- (7) Pursuant to the Construction Engineering Planning Permit No. (2006) 0053 (2006規建字0053號) dated 8th February, 2006, a development having a total gross floor area of approximately 114,497 sq.m. is permitted.
- (8) Pursuant to the Construction Works Commencement Permit No. [2006] 1370 ([2006]施建字1370號) dated 20th July, 2006, commencement of construction of Block A of comprehensive building and residential building, comprising a total gross floor area of 34,705 sq.m., is permitted.
- (9) Pursuant to the Construction Works Commencement Permit No. [2006] 1371 ([2006]施建字1371號) dated 21st July, 2006, commencement of construction of Block B, C and D of comprehensive buildings and residential building, comprising a total gross floor area of 79,792 sq.m., is permitted.

- (10) Pursuant to the Project Xiku Cooperation Agreement and the Supplementary Agreement entered into between Party C and Party B in 2000, Party C agreed to transfer a plot of land situated on No. 11 Xueyuan South Road with a site area of 9,000 sq.m. with construction area of 5,000 sq.m. to Party B; Party B agreed to pay a minimum amount of RMB50,000,000 to Party C after the completion of development, inclusive of demolition and compensation costs. Party B also agreed that the development would be commenced on 15th March, 2001 and completed on 15th September, 2002.
- (11) Pursuant to the Buildings Demolition Compensation Agreement entered into between Party B and Party C on 26th April, 2005, Party B needed to demolish 32 units of south warehouse owned by Party C, comprising a gross floor area of 1,625 sq.m. for the purpose of development. Party B agreed to pay RMB21,000,000 to Party C as a compensation.
- (12) Pursuant to a supplementary agreement entered into between Party B and Party C on 25th December, 2005, Party B agreed to pay RMB10,000,000 to Party C as the damage to the breach of the agreements in Note 11. Both parties also agreed that the deadline of the demolition was 30th June, 2006.
- (13) Pursuant to the Cooperation and Development Agreement entered into between Party B and Party D on 12th July, 2001, both parties agreed to co-operate to develop a plot of land situated on No. 13 Xueyuan South Road with a site area of 6,400 sq.m., which was the invested capital of Party D. As to the profit sharing arrangement after the completion of the development, Party D would be allocated a portion of the completed property with a gross floor area of 8,200 sq.m. while Party B will be allocated the remaining portion. Besides, Party B agreed to pay RMB2,800,000 to Party D as the demolition and compensation costs.
- (14) Pursuant to the Contract of Interests Transfer entered into between Party B, Party D and Party E on 25th May, 2005, Party D agreed to transfer all of its interests stated in the agreement mentioned in Note 13 to Party E. Party E agreed to pay RMB45,000,000 to Party D for the interests transfer.
- (15) Pursuant to an agreement entered into between Party B and Party F dated 3rd December, 2001, Party F used a parcel of land situated in the planned Tucheng residential zone and Party B contributed capital so as to have a co-operative development on the aforesaid land. As to the profit sharing arrangement of the aforesaid development, Party F would be allocated a portion of completed property with gross floor area above ground of 10,000 sq.m. while Party B would be allocated the remaining portion. After this agreement has been executed, Party B was required to pay RMB1,000,000 as a deposit of the development.
- (16) Pursuant to a supplementary agreement entered into between Party B and Party F dated 31st July, 2003, Party F would be allocated an additional gross floor area of 1,800 sq.m. used as bookstore.
- (17) Pursuant to an agreement entered into between Party B and Party F dated 23rd September, 2005, Party F agreed to demolish a 5-storey “reserved bookstore” with a gross floor area of 1,323 sq.m. Party B needed to pay RMB9,000,000 to Party F as a compensation. Party F would be provided with a total of 119 nos. of can parking spaces.
- (18) Pursuant to a supplementary agreement entered into between Party B and Party F dated 29th September, 2005, Party B agreed to pay RMB120,000 to Party F as a compensation for disturbance of business operation of Party F, aroused from the demolition of “reserved bookstore”.

- (19) Pursuant to an agreement regarding the transfer of 51% interest of Party E to Beijing EverBright Real Estate Development Company Limited, Beijing Jin Hai Cheng Investment Consultant Company Limited (which as advised by the Company is an independent third party of China EverBright Real Estate, Party B and Party E) has to bear all the responsibilities of Party B as stipulated under the agreements entered into with Party C and Party D as mentioned in Notes 10 to 13 above. As advised by the Company's PRC legal advisor, if Party B has to pay for any compensation to Party C and Party D, Party B has the right to claim for its respective loss of compensation from Beijing Jin Hai Cheng Investment Consultant Company Limited pursuant to the said agreement. In the course of our valuation, we have taken into account of the said agreement regarding the transfer of 51% interest of Party E and the responsibilities of Party B to compensate Party F as mentioned in Notes 15 to 18. Consequently, our opinion of market value of the property has reflected the said responsibilities of Party B.
- (20) The Company's PRC legal adviser on PRC laws is of the opinion, inter alia, that:
- (i) Party B has legally owned the land use rights of the entire property under Land Use Right Certificate No. (2005) 3553 and has fully settled the land premium. Party B has the right to lease and mortgage of the said land use rights and to transfer or otherwise dispose of the said land use rights after the completion of over 25% of total investment of the development of the property;
  - (ii) Party B has obtained the Housing Demolition and Resettlement Permit, Construction Land Planning Permit, Construction Engineering Planning Permit and Construction Works Commencement Certificate which fulfilled the PRC laws requirement;
  - (iii) For the co-operative development agreements and supplemental agreements entered into between Party B and Party C and between Party B and Party D, Party B has no right to terminate, cease, transfer or otherwise dispose of the aforesaid agreements without the prior written approval of Party C and Party D; and
  - (iv) The work commencement date of the development has exceeded the relevant date stated in the Contract for over 1 year. In accordance with the conditions of the Contract, Beijing Land Resources Bureau has the right to charge Party B for land idling fee, which equals 20% of the land premium.
- (21) Pursuant to Note 20 (iv), the land idling fee is estimated at RMB21,125,010. As advised by the Company, Party B has already commenced the site formation works and Party B has not received any warning notice and letter regarding the charging of land idling fee. In the course of our valuation, we have not taken into account the said land idling fee.

## Group III – Properties held for disposal

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31st October, 2006
10. Unsold carparking spaces and clubhouse at Beijing Guang Da Ming Zhu, Chaoyang District, Beijing, The PRC	<p>The subject development is a residential development with 8 blocks of residential buildings completed in about 2004.</p> <p>The property comprises 423 carparking spaces in the basement and a clubhouse. The gross floor area of the clubhouse and the car parking spaces are approximately 2,241 sq.m. and 14,805 sq.m. respectively.</p> <p>The property was granted for land use right terms of 70 years expiring on 27th August, 2072 for residential uses, 40 years expiring on 27th August, 2042 for ancillary uses and 50 years expiring on 27th August, 2052 for underground carpark uses.</p>	<p>Majority portion of the car parking spaces were vacant with 206 car parking spaces being subject to licence at a monthly fee of RMB350 per car parking space.</p> <p>The clubhouse was in operation.</p>	<p>RMB33,800,000 (100% attributable to China EverBright Real Estate: RMB33,800,000)</p>

*Notes:*

- (1) Pursuant to Land Use Right Certificate No. (2002) 0281 (京朝國用(2002出)字第0281號) issued by Beijing City Land Resources and Building Administration Bureau 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 for carparking uses.
- (2) Pursuant to Building Ownership Certificate No. (04) 00915 (京房權証朝其04字第00915號) dated 29th November, 2004, the ownership of Blocks 5 to 12 and basement carparks (except for 6 units) of the development, having a gross floor area of approximately 108,891.5 sq.m., was granted to Party A.
- (3) As advised by the Company, China EverBright Real Estate has an attributable interest of 100% of Party A.
- (4) The Company's PRC legal adviser on PRC laws is of the opinion, inter alia, that:
  - (i) Party A has legally owned the land use rights and the building ownership of the entire property under the Land Use Right Certificate No. (2002) 0281 and Building Ownership Certificate No. (04) 00915; Party A has the right to transfer, lease, mortgage or otherwise dispose of the said 423 nos. of unsold car parking spaces; however, the clubhouse has been apportioned as the common area and Party A cannot transfer the clubhouse and its respective land use rights.
- (5) We have relied on the aforesaid opinion from the PRC legal advisor and have assigned no commercial value to the club house because the land use rights of the club house could not be transferred.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31st October, 2006
11. Unsold carparking spaces and clubhouse at Beijing Guang Da Hua Yuan, Haidian District, Beijing, The PRC	<p>The subject development is a residential development with a total of 8 residential blocks completed in about 2001–2005.</p> <p>The property comprises 430 carparking spaces in the basement and a clubhouse. The gross floor area of the clubhouse and the car parking spaces are approximately 4,771 sq.m. and 15,050 sq.m. respectively.</p> <p>The property was granted for land use right terms expiring on 5th July, 2069, 8th August, 2069 and 8th August, 2070 for residential uses and 8th August, 2050 for carpark uses.</p>	<p>All the car parking spaces being leased with a majority was subject to licence at a monthly fee of RMB320 per car parking space.</p> <p>The clubhouse was in operation.</p>	No commercial value

*Notes:*

- (1) Pursuant to Land Use Right Certificate Nos. (1999) 1120 (京海國用(1999出)字第1120號), (1999) 1155 (京海國用(1999出)字第1155號) and (2000) 1402 (京海國用(2000出)字第1402號) issued by Beijing City Land Resources and Building Administration Bureau 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 China EverBright Real Estate for terms expiring on 5th July, 2069, 8th August, 2069 and 8th August, 2070 for residential use and for a term expiring on 8th August, 2050 for carparking use.
- (2) Pursuant to the Maximum Amount Mortgage Agreement dated 10th May, 2006 entered into between China EverBright Real Estate and Hua Xia Bank Holdings Limited Beijing Dongzhimen Branch, the clubhouse of the property is subject to mortgage for a loan of RMB40,000,000 for the period 8th May, 2006 to 8th May, 2007.
- (3) The Company's PRC legal adviser on PRC laws is of the opinion, inter alia, that:
  - (i) China EverBright Real Estate has legally owned the land use rights of the entire property under Land Use Right Certificate Nos. (1999) 1155, (1999) 1120 and (2000) 1402. However, China EverBright Real Estate has not completed the register of building ownership of the entire property and could not transfer the said property and its respective land use right.
- (4) We have relied on the aforesaid opinion from the PRC legal advisor and have assigned no commercial value to the property interest held by China EverBright Real Estate because the land use rights of the property could not be transferred.
- (5) We would like to advise that if the entire property has a proper title and the land use rights of the entire property could be freely transferred, the capital value of the property would be approximately RMB34,400,000.

Property	Description and tenure	Particulars of occupancy	Market value in
			existing state as at 31st October, 2006
12. 357 unsold carparking spaces in a residential development namely Beijing Shui Mo Feng Jing (北京水墨風景), Wanliu Area, Haidian District, Beijing, The PRC	<p>The subject development is a residential development consisting of totally 6 high-rise residential blocks and a commercial block completed in 2005.</p> <p>The property comprises 357 unsold carparking spaces in the 3-level basement with a gross floor area of approximately 12,495 sq.m.</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>	The property was currently vacant.	RMB32,100,000 (100% attributable to China EverBright Real Estate: RMB32,100,000)

*Notes:*

- (1) Pursuant to the Land Use Right Grant Contract (the "Contract") No. (2003) 605 (京地出合字(2003)第605號) dated 6th July, 2003 and the supplemental agreement dated 20th January, 2004 entered into between 北京市國土資源和房屋管理局 (Beijing City Land Resources and Building Administration Bureau) ("Party A") and China EverBright Real Estate ("Party B"), the land use rights 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 70 years for residential uses, 40 years for ancillary uses and 50 years for basement carparking uses; all from the date of the Contract (i.e. 6th July, 2003) at a consideration of RMB26,604,039. with a developable gross floor area of 105,161.57 sq.m.
- (2) We are advised by the Company that the aforesaid consideration for the Grant has been fully settled.
- (3) Pursuant to the Land Use Right Certificate No. (2003) 2534 (京海國用(2003出)字2534號) 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 Beijing City Land Resources and Building Administration Bureau to Party B 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 Industry and Commerce Administration Bureau 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, sell and purchase, lease 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 Building Ownership Certificate No. 0038031 (京房權証海涉字第0038031號) dated 4th August, 2005, the building ownership of Blocks 1 to 6 and underground car parks, having a gross floor area of approximately 90,606.87 sq.m., was granted to Party B.
- (6) The Company's PRC legal adviser on PRC laws is of the opinion, inter alia, that:
  - (i) Party B has legally owned the land use rights of the entire property under Land Use Right Certificate No. (2003) 2534 and has the right to transfer, lease, mortgage or otherwise dispose of the said land use rights;
  - (ii) Party B has legally owned the building ownership of the entire property under Building Ownership Certificate No. 0038031 and has the right to transfer, lease, mortgage or otherwise dispose of the said property; and
  - (iii) Party B has obtained the Construction Land Planning Permit, Construction Engineering Planning Permit, Construction Works Commencement Certificate, Pre-sale Permit and Construction Works Completion Examining Registration which fulfilled the PRC laws requirement.

## Group IV – Property held for investment

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31st October, 2006						
13. Unit Nos. 801 and 802, Block C, Shanghai China Everbright Convention Centre, No 70 Caobao Road, Xuhui District, Shanghai, The PRC	<p>The subject development is a large scale mixed uses complex known as China Everbright Convention Centre completed in about 1999. The whole development comprises convention and exhibition spaces, hotels, offices, apartments and serviced apartments.</p> <p>The property comprises two office units in a 30-storey office building</p> <p>The gross floor areas of the property are approximately as follows:</p> <table border="1"> <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><b>Total</b></td> <td><b><u>269.72 sq.m.</u></b></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.	<b>Total</b>	<b><u>269.72 sq.m.</u></b>	<p>Unit 801 is subject to a tenancy for a term of commencing from 1st September, 2006 and expiring on 31st August, 2007 at a rent of RMB12,672.80 per month (exclusive of management fee).</p> <p>Unit 802 is subject to a tenancy for a term of one year expiring on 31st December, 2006 at a rent of RMB13,580 per month (exclusive of management fee).</p>	<p>RMB4,400,000 (100% attributable to China EverBright Real Estate: RMB4,400,000)</p>
Unit 801	130.20 sq.m.								
Unit 802	139.52 sq.m.								
<b>Total</b>	<b><u>269.72 sq.m.</u></b>								

*Notes:*

- (1) Pursuant to Shanghai Certificate of Real Estate Ownership Nos. (2002) 008993 (滬房地市字(2002)第008993號) and (2002) 008994 (滬房地市字(2002)第008994號) dated 9th September, 2002 issued by Shanghai City Real Estate 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 China EverBright Real Estate.
- (3) The Company’s PRC legal adviser on PRC laws is of the opinion that:
  - (i) Party A has legally obtained the real estate ownership of the entire property and has the right to transfer, lease, mortgage or otherwise dispose of the property pursuant to the laws;
  - (ii) The tenancy agreements are legal, valid and enforceable; and
  - (iii) As advised by Party A, the tenancy agreements have not been completed with the relevant lease register procedure. Therefore, the said tenancy agreements are not binding to the parties other than landlord and tenant.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31st October, 2006								
14. Unit No. 602 of Block 6 and Unit Nos. 1003 and 1103 of Block 11, Hong Qiao Guang Da Hua Yuan, Lane 269, Cheng Jia Qiao Road, Minhang District, Shanghai, 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>	<p>Unit 602 is subject to a tenancy for a term commencing from 1st March, 2006 and expiring on 3rd March, 2007 at a rent of RMB5,000 per month (inclusive of management fee).</p> <p>Unit 1003 is subject to a tenancy for a term commencing from 5th January, 2006 and expiring on 4th January, 2007 at a rent of RMB3,500 per month (inclusive of management fee).</p> <p>Unit 1103 is subject to a tenancy for a term commencing from 5th January, 2006 and expiring on 4th January, 2007 at a rent of RMB3,500 per month (inclusive of management fee).</p>	<p>RMB5,300,000 (100% attributable to China EverBright Real Estate: RMB5,300,000)</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>										

*Notes:*

- (1) Pursuant to Shanghai Certificate of Real Estate Ownership Nos. (2003) 051008 (滬房地閔字(2003)第051008號), (2003) 051009 (滬房地閔字(2003)第051009號) and (2003) 051022 (滬房地閔字(2003)第051022號) all dated 24th July, 2003 issued by Shanghai City Minhang District Real Estate 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 China EverBright Real Estate.
- (3) The Company's PRC legal adviser on PRC laws is of the opinion that:
  - (i) Party A has legally obtained the real estate ownership of the entire property and has the right to transfer, lease, mortgage or otherwise dispose of the property pursuant to the laws;
  - (ii) The tenancy agreements are legal, valid and enforceable; and
  - (iii) As advised by Party A, the tenancy agreements have not been completed with the relevant lease register procedure. Therefore, the said tenancy agreements are not binding to the parties other than landlord and tenant.



## Group V – Properties held for owner-occupation

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31st October, 2006						
15. Unit Nos. 701 and 702, Block C, Shanghai China Everbright Convention Centre, No 70 Caobao Road, Xuhui District, Shanghai, The PRC	<p>The subject development is a large scale mixed uses complex known as China Everbright Convention Centre completed in about 1999. The whole development comprises convention and exhibition spaces, hotels, offices, apartments and serviced apartments.</p> <p>The property comprises two office units in a 30-storey office building.</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.	RMB4,400,000 (100% attributable to China EverBright Real Estate: RMB4,400,000)
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) 008991 (滬房地市字(2002)第008991號) and (2002) 008992 (滬房地市字(2002)第008992號) dated 9th September, 2002 issued by Shanghai City Real Estate 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 China EverBright Real Estate.
- (3) The Company’s PRC legal adviser on PRC laws is of the opinion that:
  - (i) Party A has legally obtained the real estate ownership of the entire property and has the right to transfer, lease, mortgage or otherwise dispose of the property pursuant to the laws.

**1. RESPONSIBILITY STATEMENT**

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

**2. SHARE CAPITAL OF THE COMPANY**

The authorised and issued share capital of the Company as at the Latest Practicable Date were as follows:

<i>Authorised:</i>		<i>HK\$'000</i>
<u>900,000,000</u> Shares		<u>450,000</u>
<i>Issued as fully paid:</i>		
<u>500,484,562</u> Shares		<u>250,242</u>

There are no changes in the share capital of the Company since 30th June, 2006 up to the Latest Practicable Date.

**3. DISCLOSURE OF INTERESTS**

- (a) As at the Latest Practicable Date, the interest of the Directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which 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 or short positions which they were taken or deemed to have

under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the “Model Code”) were as follows:

(i) **Long position in shares of the Company**

Name of Director	Capacity	Nature of interests	Number of Shares beneficially owned	Aggregate long position	Percentage of aggregate long position in Shares to the issued share capital of the Company
Mr. Billy K Yung	Beneficial owner	Personal	26,098,000	227,427,084	45.44%
	Interest of child under 18 or spouse ( <i>note 1</i> )	Other	191,329,084		
	Interest held jointly with another person ( <i>note 2</i> )	Other	10,000,000		
Dr. Leo Tung-Hai Lee	Beneficial owner	Personal	5,306,382	5,306,382	1.06%
Mr. Peter Lam	Beneficiary of a trust ( <i>note 3</i> )	Other	1,300,000	1,300,000	0.26%
Madam Yung Ho Wun Ching	Beneficial owner	Personal	53,196,300	63,196,300	12.63%
	Interest of spouse ( <i>note 4</i> )	Family	10,000,000		
Mr. Leung Chun Wah	Beneficial owner	Personal	1,799,400	1,799,400	0.36%
Mr. Plato Poon Chak Sang	Beneficial owner	Personal	739,200	739,200	0.15%
Mr. Simon Yung Kwok Choi	Beneficial owner	Personal	39,147,911	43,677,351	8.73%
	Interest of controlled corporation ( <i>note 5</i> )	Corporate	3,529,440		
	Interest of spouse ( <i>note 6</i> )	Family	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 jointly with his wife, Madam Hsu Vivian.
- (3) These Shares are held by a trust for the benefit of Mr. Peter Lam.
- (4) This interest represents the holding of Shares held by the late Dr. Yung Yau.
- (5) These Shares are held by Konvex Enterprises Limited, which is wholly-owned by Mr. Simon Yung Kwok Choi.
- (6) This interest represents the holding of Shares held by Mr. Simon Yung Kwok Choi's spouse, Madam Chiu Man.

**(ii) Share options scheme**

Details of the share options of the Company's subsidiaries held by the Directors as at the Latest Practicable Date were as follows:

**(1) Share options to subscribe for shares in Appeon Corporation ("Appeon")**

Name of Director	Date of grant	Period during which options are exercisable	Subscription price per share US\$	Number of share options held as at Latest Practicable Date	Percentage to the issued share capital of Appeon as at the 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	0.74%

Appeon is a company incorporated in January 2002 with limited liability and engaged in investment holding and computer software development. As at the Latest Practicable Date, the Company indirectly held 89.33% of the issued share capital of Appeon and the remaining balance of 10.67% of the issued share capital of Appeon are held by Independent Third Parties.

(2) *Share options to subscribe for shares in Galactic Computing Corporation (“Galactic”)*

Name of Director	Date of grant	Period during which options are exercisable	Subscription price per share US\$	Number of share options held as at Latest Practicable Date	Percentage to the issued share capital of Galactic as at the 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				<u>200,000</u>	<u>0.84%</u>

Galactic is a company incorporated in November 2001 with limited liability and engaged in investment holding and computer software and hardware development. As at the Latest Practicable Date, the Company indirectly held 100% of the issued share capital of Galactic.

- (b) As at the Latest Practicable Date, so far as was known to the Directors, the interest of the Shareholders in the Shares and underlying shares of the Company which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO were as follows:

(i) **Shares in the Company**

Name of substantial Shareholder	Capacity	Nature of interests	Number of Shares held	Aggregate long position	Percentage of Shares held to the issued share capital of the Company
UBS Trustees (BVI) Limited	Trustee of a trust ( <i>note 1</i> )	Other	199,437,334	199,437,334	39.85%
Diamond Key Enterprises Inc.	Beneficial owner ( <i>note 1</i> )	Beneficial	118,612,287	118,612,287	23.70%
On Fat Profits Corporation	Beneficial owner ( <i>note 1</i> )	Beneficial	72,716,797	72,716,797	14.53%
Madam Chiu Man	Beneficial owner Interest of spouse ( <i>note 2</i> )	Personal Family	1,000,000 42,677,351	43,677,351	8.73%
Madam Hsu Vivian	Interest of spouse Interest held jointly with another person ( <i>note 3</i> )	Family Other	26,098,000 10,000,000	36,098,000	7.21%
Madam Yung Siu Chee Margaret ( <i>note 4</i> )	Beneficial owner	Personal	28,154,604	28,154,604	5.63%

*Notes:*

- (1) 118,612,287 Shares and 72,716,797 Shares form part of the 199,437,334 Shares held by UBS Trustees (BVI) Limited. Of which, the aggregate of 118,612,287 Shares and 72,716,797 Shares (i.e. 191,329,084 Shares) are disclosed in the sub-paragraph headed “(a)(i) 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. None of the Directors are directors or employees of On Fat Profits Corporation and Diamond Key Enterprises Inc.
- (2) Madam Chiu Man’s Shares held under personal and family interest are in fact the same block of Shares already disclosed respectively under family interest, personal and corporate interests of her husband, Mr. Simon Yung Kwok Choi as disclosed in the sub-paragraph headed “(a)(i) Long position in shares of the Company” above.

- (3) Madam Hsu Vivian's Shares held under family interest and other interest are in fact the same block of shares already disclosed respectively under personal interest and other interests of her husband, Mr. Billy K Yung as disclosed in the sub-paragraph headed "(a) (i) Long position in shares of the Company" above.
- (4) Madam Yung Siu Chee Margaret is daughter of Madam Yung Ho Wun Ching. She is also a sister of Mr. Billy K Yung and Mr. Simon Yung Kwok Choi.

**(ii) Shares in the Company's subsidiaries**

<b>Name of substantial shareholder</b>	<b>Name of subsidiary</b>	<b>Percentage of equity interest</b>
APD Semiconductor, Inc.	Phoenix 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%
Richwood Trading Limited	Jodrell Investments Limited	20.00%
Assure Win Investments Limited	China EverBright Real Estate Development Limited	30.00%
呼和浩特繞城公路建設開發有限責任公司 (Hohhot Rao Cheng Gong Lu Construction and Development Company Limited*)	呼和浩特光大環城建設開發有限公司 (Hohhot Guang Da Huan Cheng Construction and Development Company Limited*)	20.00%
青海賢成實業股份有限公司 (Qing Hai Xian Cheng Enterprise Company Limited*)	廣州市光大花園房地產開發有限公司 (Guangzhou City Guang Da Hua Yuan Real Estate Development Company Limited*)	42.00%

- (c) Save as disclosed above, as at the Latest Practicable Date:
- (i) so far as was known to the Directors, none of the Directors or chief executives of the Company had any interest or short positions in any Shares or underlying shares or interests in debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which 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 or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange; and
  - (ii) there was no person known to the Directors or Chief Executive who had an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, was, directly or indirectly, interested in 10% or more of the nominal value of the issued share capital carrying rights to vote in all circumstances at general meeting of the Company, or any options in respect of such capital.

#### **4. DIRECTORS' INTERESTS IN CONTRACTS**

- (a) As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter into a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.
- (b) Save as disclosed herein, as at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been, since 31st December, 2005 (being the date to which the latest published audited consolidated accounts of the Company were made up), acquired or disposed of by, or leased to the Company or any member of the Group, or were proposed to be acquired or disposed of by, or leased to, any member of the Group.
- (c) Save as disclosed, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the date of this circular and which is significant in relation to the business of the Group.



- (d) As at the Latest Practicable Date, none of the Directors or their respectively associates had any interest in businesses, which are considered to compete or are likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the Listing Rules.

## 5. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse changes in the financial or trading position of the Group since 31st December, 2005 (being the date to which the latest published audited consolidated accounts of the Company were made up).

## 6. QUALIFICATIONS OF EXPERTS AND CONSENTS

- (a) The following are the qualifications of the experts who has given opinion or advice contained in this circular:

<b>Name</b>	<b>Qualifications</b>
AMS Corporate Finance Limited	a corporation licensed under the SFO to conduct type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
Knight Frank Petty Limited	independent valuer
Fangda Partners	legal adviser on PRC laws

- (b) (i) Each of AMS Corporate Finance Limited, Knight Frank Petty Limited and Fangda Partners does not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group.
- (ii) Each of AMS Corporate Finance Limited, Knight Frank Petty Limited and Fangda Partners does not have any direct or indirect interest in any assets which have been since 31st December, 2005 (being the date to which the latest published audited consolidated accounts of the Company were made up) acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by or leased to, any member of the Group.

- (iii) Each of AMS Corporate Finance Limited, Knight Frank Petty 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 of advice dated 20th December, 2006 and the references to its name, in the form and context in which they respectively appear.

## **7. LITIGATION**

So far as the Directors are aware, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or arbitration of material importance was pending or threatened against the Company or any of its subsidiaries as at the Latest Practicable Date.

## **8. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at Shell Industrial Building, 12 Lee Chung Street, Chai Wan Industrial District, Hong Kong during normal business hours on any business day up to and including 5 January, 2007:

- (a) the Agreement;
- (b) the letter from AMS Corporate Finance Limited, the text of which is set out in this circular;
- (c) the property valuation report prepared by Knight Frank Petty Limited, the text of which is set out in Appendix I to this circular; and
- (d) the written consents referred to in the paragraph headed “Qualifications of experts and consents” of this appendix.

## **9. PROCEDURES FOR DEMANDING A POLL**

Although no shareholder’ meeting is required to be convened in this transaction, this paragraph is included herein for information purpose only. Pursuant to article 74 of the articles of association of the Company, a resolution put to the vote at the general meeting shall be decided on a show of hands unless a poll is taken as may from time to time be required under the Listing Rules or any other applicable laws, rules or regulations or unless a poll (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand of a poll) is demanded:

- (a) by the chairman of the Meeting; or

- (b) by at least three members present in person or by proxy for the time being entitled to vote at the meeting; or
- (c) by any member or members present in person or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (d) by a member or members present in person or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

A demand by a person as proxy for a Shareholder or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy shall be deemed to be the same as a demand by a Shareholder.

#### **10. MISCELLANEOUS**

- (a) The head and registered office of the Company is at Shell Industrial Building, 12 Lee Chung Street, Chai Wan Industrial District, Hong Kong.
- (b) The share registrar and transfer office of the Company is Standard Registrars Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (c) The secretary of the Company is Mr. Peter Lee Yip Wah, a qualified solicitor practising in Hong Kong.
- (d) The qualified accountant of the Company is 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.
- (e) The translation into Chinese language of this circular is for reference only. In the event of any inconsistency, the English text of this circular shall prevail over the Chinese language text.

\* For identification purpose only