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**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in doubt** as to any aspect of this document 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 **Goldbond Group Holdings Limited**, you should at once hand this document and the accompanying form of acceptance and transfer to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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**ACE SOLOMON  
INVESTMENTS LIMITED**

*(incorporated in the British Virgin  
Islands with limited liability)*

**ALLIED LUCK  
TRADING LIMITED**

*(incorporated in the British Virgin  
Islands with limited liability)*

**GOLDBOND GROUP  
HOLDINGS LIMITED**

*(incorporated in Hong Kong  
with limited liability)*

**COMPOSITE OFFER AND RESPONSE DOCUMENT RELATING TO UNCONDITIONAL  
MANDATORY GENERAL OFFER BY GOLDBOND CAPITAL (ASIA) LIMITED  
ON BEHALF OF ACE SOLOMON INVESTMENTS LIMITED AND  
ALLIED LUCK TRADING LIMITED TO ACQUIRE ALL THE ISSUED SHARES OF  
GOLDBOND GROUP HOLDINGS LIMITED  
(OTHER THAN THOSE SHARES ALREADY OWNED OR AGREED  
TO BE ACQUIRED BY ACE SOLOMON INVESTMENTS LIMITED OR  
ALLIED LUCK TRADING LIMITED  
OR PARTIES ACTING IN CONCERT WITH THEM)**

**Financial adviser to Ace Solomon Investments Limited  
and Allied Luck Trading Limited**



**Goldbond Capital (Asia) Limited**

**Independent financial adviser to the independent board committee of  
Goldbond Group Holdings Limited**

**CHATERON  
CORPORATE FINANCE LIMITED**

華夏融資有限公司

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A letter from Chateron Corporate Finance Limited containing its advice to the independent board committee of Goldbond Group Holdings Limited is set out on pages 23 to 42 of this document.

The procedure for acceptance and other related information are set out in Appendix I to this document and the accompanying forms of acceptance and transfer/renunciation. Acceptances under the offer should be received by no later than 4:00 p.m. on Wednesday, 14 January 2004 (or such other time and/or date as Ace Solomon Investments Limited and Allied Luck Trading Limited may decide and announce).

24 December 2003

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## DEFINITIONS

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

“‘A’ Preference Share(s)”	the non-interest bearing redeemable convertible preference share(s) of par value HK\$0.10 each in the existing preference share capital of the Company issued and allotted on 18 September 2001
“Ace Solomon”	Ace Solomon Investments Limited, a company incorporated in the British Virgin Islands with limited liability which is owned as to 11% by Mr. Wong, 46% by Mr. Kee and 43% by Ms. Loh, and is one of the Underwriters and Offerors
“Allied Luck”	Allied Luck Trading Limited, a company incorporated in the British Virgin Islands with limited liability which is owned as to 50% by Mr. Wong and as to the remaining 50% by Mrs. Wong; holding 30% of the Company’s issued ordinary share capital as at the Latest Practicable Date, and is one of the Underwriters and Offerors
“associates”	has the meaning ascribed to it in the Listing Rules
“‘B’ Preference Share(s)”	the non-interest bearing redeemable convertible preference share(s) of par value HK\$0.10 each in the existing preference share capital of the Company issued and allotted on 18 September 2001
“Board”	the board of Directors
“Business Day(s)”	day(s) on which licensed banks are open for business in Hong Kong (excluding Saturdays)
“Canasia”	Canasia Profits Corporation, a company incorporated in the British Virgin Islands with limited liability which is wholly owned by Mr. Kee, and holding approximately 8.07% of the Company’s issued ordinary share capital as at the Latest Practicable Date

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## DEFINITIONS

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“Cash Offer”	the unconditional mandatory cash offer being made by Goldbond Capital, on behalf of Ace Solomon and Allied Luck, to acquire all the issued Shares and Preference Shares not already owned and/or agreed to be acquired by Ace Solomon, Allied Luck and parties acting in concert with them at HK\$0.10 per Share and HK\$0.0001 per Preference Share respectively
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Chateron”	Chateron Corporate Finance Limited, a licensed corporation under the transitional arrangements of the SFO to carry out Type 6 regulated activity (advising on corporate finance) prescribed by the SFO, and the independent financial adviser to the Independent Board Committee in relation to the Cash Offer
“Company”	Goldbond Group Holdings Limited, a company incorporated in Hong Kong with limited liability and the Shares of which are listed on the Stock Exchange
“Director(s)”	director(s) of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Goldbond Capital”	Goldbond Capital (Asia) Limited, a licensed corporation under the transitional arrangement within the meaning of the SFO to carry out Types 1, 4, 6 and 9 regulated activities under the SFO and the financial adviser to Ace Solomon and Allied Luck in relation to the Cash Offer
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

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## DEFINITIONS

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“Independent Board Committee”	an independent board committee comprising all independent non-executive Directors, namely Mr. Ma Ho Fai and Mr. Zhang Xiao Shu, which has been formed to advise the Offer Shareholders in respect of the Cash Offer
“Latest Practicable Date”	22 December 2003, being the latest practicable date prior to the printing of this document for ascertaining certain information in this document
“Listing Rules”	Rules governing the listing of securities on the Stock Exchange
“Mr. Kee	Mr. Kee Wah Sze, an executive Director
“Mr. Ko”	Mr. Ko Po Ming, an executive Director
“Mr. Wong”	Mr. Wong Yu Lung, Charles, an executive Director
“Mrs. Wong”	Mrs. Wong Fang Pik Chun, the spouse of Mr. Wong
“Ms. Loh”	Ms. Loh Jiah Yee, Katherine, an executive Director
“Offer Shareholders”	Shareholders other than the Offerors and parties acting in concert with them
“Offerors”	Ace Solomon and Allied Luck, being the offerors to the Cash Offer
“Open Offer”	the open offer of four new Shares for every existing Share held by the Qualifying Shareholders, details of which have been set out in the circular of the Company dated 12 November 2003 in relation to, inter alia, the Open Offer
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date and whose registered address(es) as shown on such register is(are) outside Hong Kong where, in the opinion of the Directors, the new Shares may not be offered to them under the Open Offer without compliance with registration and/or other legal or regulatory requirements in such jurisdictions

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## DEFINITIONS

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“PRC”	the People’s Republic of China
“Preference Share(s)”	‘A’ Preference Share(s) and ‘B’ Preference Share(s)
“Preference Shareholder(s)”	holder(s) of the Preference Share(s)
“Qualifying Shareholder(s)”	Shareholder(s), other than the Overseas Shareholder(s), whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date and whose address(es), as shown on such register of members of the Company, is(are) in Hong Kong and who are eligible to participate in the Open Offer
“Record Date”	28 November 2003, being the date by reference to which entitlements under the Open Offer were determined
“Registrar”	Computershare Hong Kong Investor Services Limited, the share registrar and transfer office of the Company, at Rooms 1901-5, 19th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong
“Relevant Period”	the period between 22 April 2003, being the date six months before the announcement of the Company dated 22 October 2003 in respect of, inter alia, the Cash Offer, and the Latest Practicable Date
“SFC”	The Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	ordinary share(s) of HK\$0.10 each in the ordinary share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s) in issue

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## DEFINITIONS

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“Sparkle Power”	Sparkle Power Technology Limited, a company incorporated in the British Virgin Islands with limited liability and owned as to 50% by Ms. Loh and as to 50% by Mr. Ko, and holding approximately 3.97% of the Company’s issued ordinary share capital as at the Latest Practicable Date
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Underwriters”	Allied Luck and Ace Solomon, being the underwriters of the Open Offer
“Underwriting Agreement”	the underwriting agreement dated 17 October 2003 entered into between the Company, Allied Luck and Ace Solomon in relation to the Open Offer
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

*For the purpose of this document, all amounts denominated in United States dollars were translated into Hong Kong dollars at an exchange rate of US\$1.00 = HK\$7.80.*

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## EXPECTED TIMETABLE

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Commencement of the Cash Offer .....	Wednesday, 24 December 2003
Closing date of the Cash Offer .....	Wednesday, 14 January 2004
Latest time for acceptance of the Cash Offer ( <i>Note 1</i> ) .....	4:00 p.m. on Wednesday, 14 January 2004
Announcement of the outcome of the Cash Offer published .....	Thursday, 15 January 2004
Latest date for despatch of remittances for the amounts due in respect of valid acceptances received under the Cash Offer at or before the latest time of acceptances of the Cash Offer ( <i>Note 2</i> ) .....	Saturday, 24 January 2004

*Notes:*

1. The Cash Offer will close at 4:00 p.m. on Wednesday, 14 January 2004 unless the Offerors extend the Cash Offer in accordance with the Takeovers Code.
2. The consideration payable for the Shares and/or the Preference Shares tendered under the Cash Offer will be paid as soon as possible but in any event within 10 days after the date of receipt by the Registrar of the requisite documents from the Offer Shareholders accepting the Cash Offer in accordance with the Takeovers Code.
3. Although the Offerors do not intend to extend the Cash Offer, they reserve the right to do so.
4. Acceptances of the Cash Offer shall be irrevocable and cannot be withdrawn, save for under Rule 19 of the Takeovers Code.

**All time references contained in this document refer to Hong Kong time.**



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## LETTER FROM THE BOARD

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### **GOLDBOND GROUP HOLDINGS LIMITED**

### **金榜集團控股有限公司**

*(incorporated in Hong Kong with limited liability)*

*Executive Directors:*

Mr. Wong Yu Lung, Charles  
Mr. Ko Po Ming  
Ms. Loh Jiah Yee, Katherine  
Mr. Lan Ning  
Mr. Kee Wah Sze

*Registered and principal office:*

Unit 3902A, 39th Floor, Tower 1  
Lippo Centre  
89 Queensway  
Hong Kong

*Independent non-executive Directors:*

Mr. Ma Ho Fai  
Mr. Zhang Xiao Shu

24 December 2003

*To the Offer Shareholders*

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY GENERAL OFFER BY  
GOLDBOND CAPITAL (ASIA) LIMITED  
ON BEHALF OF ACE SOLOMON INVESTMENTS LIMITED AND  
ALLIED LUCK TRADING LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES OF  
GOLDBOND GROUP HOLDINGS LIMITED  
(OTHER THAN THOSE SHARES ALREADY OWNED OR AGREED  
TO BE ACQUIRED BY ACE SOLOMON INVESTMENTS LIMITED OR  
ALLIED LUCK TRADING LIMITED  
OR PARTIES ACTING IN CONCERT WITH THEM)**

#### **INTRODUCTION**

As disclosed in the announcement of the Company dated 22 October 2003, the Company proposed to raise approximately HK\$132.6 million before expenses by issuing not less than 1,325,952,000 new Shares and not more than 1,335,072,024 new Shares at a price of HK\$0.10 per new Share by way of the Open Offer on the basis of four new Shares for every Share held by the Qualifying Shareholders as at the Record Date. The Open Offer was duly approved by the Offer Shareholders at an extraordinary general meeting of the Company held on 28 November 2003.

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## LETTER FROM THE BOARD

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As disclosed in the prospectus of the Company dated 28 November 2003 in relation to the Open Offer, none of the Preference Shares were converted into Share as at the Record Date and therefore, 331,488,000 Shares were in issue as at the Record Date and the relevant results of acceptance of the Open Offer were subsequently announced on 18 December 2003. The Company received 54 valid applications for 677,791,857 new Shares, representing approximately 51.12% of the total number of 1,325,952,000 new Shares available for subscription under the Open Offer. Three of the 54 valid applications were received from Allied Luck, Canasia and Sparkle Power, which have applied for an aggregate of 310,032,000 Offer Shares provisionally allotted to them in compliance with the irrevocable undertaking given by them to the Company. As the Open Offer was under-subscribed, the Underwriters were obliged to subscribe for and/or procure subscribers for the remaining balance of 648,160,143 new Shares. Allied Luck fulfilled its obligation under the Underwriting Agreement to take up 309,275,100 new Shares, representing approximately 18.66% of the issued ordinary share capital of the Company as enlarged by the Open Offer. Ace Solomon also fulfilled its obligation under the Underwriting Agreement to take up all other new Shares which were not taken up by Allied Luck, being 338,885,043 new Shares. As a result of the taking up of a total of 648,160,143 new Shares by Ace Solomon and Allied Luck (being the Underwriters), the number of Shares held by Ace Solomon, Allied Luck and parties acting in concert with them increased to approximately 62.49%, and therefore Ace Solomon and Allied Luck and parties acting in concert with them are required under Rule 26 of the Takeovers Code to make an unconditional general offer for the Shares other than those held by Ace Solomon, Allied Luck or parties acting in concert with them. Goldbond Capital is making the Cash Offer on behalf of Ace Solomon and Allied Luck. Details of the Cash Offer are set out in the letter from Goldbond Capital on pages 13 to 21 of this document, Appendix I to this document and the accompanying forms of acceptance and transfer/renunciation.

Mr. Wong, Mr. Ko, Ms. Loh and Mr. Kee are salaried executive Directors and have interest in either Allied Luck, Ace Solomon and/or parties acting in concert in either of them. Mr. Lan Ning is a salaried executive Director and had participated in negotiations and discussions in relation to the Open Offer. Therefore, all of Mr. Wong, Mr. Ko, Ms. Loh, Mr. Kee and Mr. Lan Ning are not considered to be sufficiently independent under the Takeovers Code for the purpose of advising the Offer Shareholders in respect of the Cash Offer. The Independent Board Committee comprising Messrs. Ma Ho Fai and Zhang Xiao Shu, both independent non-executive Directors and have no interest in the Cash Offer other than by virtue of being the Directors, has been constituted by the Company to advise the Offer Shareholders in relation to the Cash Offer. Chateron has been appointed as the independent financial adviser to the Independent Board Committee in connection with the Cash Offer. Your attention is drawn to the letter from the Independent Board Committee and the letter of advice from Chateron.

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## LETTER FROM THE BOARD

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### THE CASH OFFER

Goldbond Capital, on behalf of Ace Solomon and Allied Luck, is making the Cash Offer, on the following basis:

**For each Share ..... HK\$0.10 in cash**

**For each Preference Share ..... HK\$0.0001 in cash**

As stated in the announcement of the Company dated 22 October 2003, Allied Luck (in its capacity as a Shareholder), Canasia and Sparkle Power have irrevocably undertaken to the Company that the Shares beneficially owned by them would remain registered in their respective names from the date of such announcement to the Record Date and they have also undertaken to subscribe or procure subscribers for their provisional entitlements in full, amounting to 310,032,000 new Shares.

### Further details of the Cash Offer

Further details of the Cash Offer including, among other things, the terms and conditions and the procedures for acceptance are set out in the letter from Goldbond Capital on pages 13 to 21 of this document, Appendix I to this document and the accompanying forms of acceptance and transfer/renunciation.

### INFORMATION ON ACE SOLOMON AND ALLIED LUCK AND FUTURE OF THE GROUP

Your attention is drawn to the sections headed “Information on Mr. Wong, Mr. Kee, Ms. Loh, Ace Solomon and Allied Luck” and “Intention of Ace Solomon and Allied Luck regarding the Group” in the letter from Goldbond Capital as set out on pages 13 to 21 of this document.

### INFORMATION ON THE GROUP

The principal business of the Group is property investment and other investments in Hong Kong and the PRC. During the year ended 31 March 2003, turnover of the Group was mainly contributed by the rental income derived from its existing properties, Golden Plaza, No. 745-747 Nathan Road, Kowloon, Hong Kong. Almost all of the total gross floor area of Golden Plaza has been leased.

For the year ended 31 March 2003, the Group recorded an audited net loss attributable to Shareholders of approximately HK\$71,962,000, which was mainly attributable to the provision for impairment in value of investment properties and other investments.

As at 31 March 2003, the Group had audited net assets value of approximately HK\$135,491,000 and cash and bank balances of approximately HK\$13,102,000.

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## LETTER FROM THE BOARD

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Further information in relation to the Group is set out in Appendix II, III and IV to this document.

### REVIEW OF OPERATION OF THE GROUP

Despite the gloomy economy in Hong Kong, Golden Plaza, being situated in Mongkok with an already established niche market, continues to provide satisfactory results. Looking ahead, occupancy rate of Golden Plaza is expected to remain high.

At the same time, the Board will continue to look for investment opportunities that have earning potentials, with an aim to diversify its sources of income and to develop its existing business. In particular, the Board will focus on companies in Hong Kong and the PRC that either (i) have steady income and positive cashflow, or are in industries where the barrier of entry are relatively high; or (ii) are in fast growing industries.

It is the ultimate goal of the Board to make use of the Group's resources to maximise the value of the Company.

### ACQUISITION OF 25% INTEREST IN NANJING CITY PLAZA CONSTRUCTION CO., LTD.

On 1 December 2003, Sino Dynasty Investments Limited ("Sino Dynasty"), a wholly owned subsidiary of the Company entered into a conditional sale and purchase agreement (the "Nanjing Agreement"). The Nanjing Agreement was entered into between (i) Sino Dynasty and Wah Link Real Estate Investments Limited ("Wah Link"), a company beneficially owned as to 51% by a family member of Mr. Wong and 49% by Mrs. Wong (as purchasers) and (ii) Mr. Wang Boyang (as warrantor) and his wholly owned company, Y&W Holdings Limited (as vendor). Pursuant to the Nanjing Agreement, Sino Dynasty agreed to purchase from Y&W Holdings Limited a 25% interest in Nanjing City Plaza for a consideration of HK\$91,000,000 (the "Proposed Acquisition"). The consideration for the Proposed Acquisition will be satisfied as to HK\$90,000,000 in cash and as to the remaining of HK\$1,000,000 by the issue of 5,000,000 new ordinary Shares by the Company at an issue price of HK\$0.20 each. The payment of HK\$90,000,000 will be funded by the proceeds from the Open Offer, which are expected to be no less than HK\$130,000,000. In addition, pursuant to the Nanjing Agreement, Wah Link also agreed to purchase a 25% interest in Nanjing City Plaza for a consideration of HK\$91,000,000 in cash. Details of the Proposed Acquisition, including but not limited to the terms of the Nanjing Agreement, are set out in the announcement of the Company dated 3 December 2003.

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## LETTER FROM THE BOARD

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### SUBSCRIPTION OF THE GOBI FUND, INC.

On 11 December 2003, Dragon Express Investments Limited (“Dragon Express”), a wholly owned subsidiary of the Company entered into a subscription agreement with Gobi Fund, Inc. (“Gobi Fund”) and Gobi Partners, Inc. (“Gobi Partners”) (the “Subscription Agreement”), pursuant to which Dragon Express agreed to subscribe for 12 units of Gobi Fund at a total consideration of US\$6,000,000 (equivalent to approximately HK\$46,800,000). As at the date of the Subscription Agreement, strategic subscribers of Gobi Fund included NTT DoCoMo, Inc., IBM World Trade Corporation, Dragon Express and Gobi Partners. Gobi Fund is a venture capital fund sponsored and managed by Gobi Partners, and mainly focuses on early stage investments in the PRC’s digital media sector, such as telecommunications, Internet and broadcasting. To the best of the knowledge of the Directors, Gobi Fund, Gobi Partners and their respective shareholders do not have any interest in the Company as at the Latest Practicable Date and are not parties acting in concert with the Offerors or their respective associates. Details of the subscription of Gobi Fund, including but not limited to the terms of the Subscription Agreement, are set out in the announcement of the Company dated 15 December 2003.

### MAINTAINING THE LISTING STATUS OF THE COMPANY

It is the intention of Ace Solomon and Allied Luck that the listing of the Shares on the Stock Exchange should be maintained. Accordingly, the Company, the Directors, Ace Solomon, Allied Luck and the respective directors of Ace Solomon and Allied Luck have undertaken to the Stock Exchange, in terms to be agreed with the Stock Exchange, to take appropriate steps as soon as practicable following the close of the Cash Offer to ensure not less than 25% of the Shares will be held by the public.

**The Stock Exchange has stated that, in the event that less than 25% of the Shares are in public hands following the closing of the Cash Offer; or if the Stock Exchange believes that a false market exists or may exist in the Shares or that there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the Shares.**

**If the Company remains as a listed company, any future injections into or disposals of the Company will be subject to the provisions of the Listing Rules. Pursuant to the Listing Rules, the Stock Exchange has a discretion to require the Company to issue a circular to its shareholders where any acquisition or disposal by the Company is proposed, irrespective of the size of such acquisition or disposal and in particular where such acquisition or disposal represents a departure from the principal activities of the Company. The Stock Exchange also has the power pursuant to the Listing Rules to aggregate a series of acquisitions or disposals by the Company and any such acquisitions or disposals may, in any event, result in the Company being treated as a new applicant for listing and subject to the requirements for new applicants as set out in the Listing Rules.**

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## LETTER FROM THE BOARD

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### RECOMMENDATIONS

Your attention is drawn to the respective letters from the Independent Board Committee and from Chateron. The letter from the Independent Board Committee is set out on page 22 which contains its recommendation to the Offer Shareholders in respect of the Cash Offer. The letter of advice from Chateron is set out on pages 23 to 42, which contains its advice to the Independent Board Committee in respect of the Cash Offer and the principal factors it has considered in forming its advice.

You are also recommend to read the letter from Goldbond Capital as set out on pages 13 to 21, conditions and further terms of the Cash Offer as set out in Appendix I to this document and the accompanying forms of acceptance.

### FURTHER INFORMATION

The Offer Shareholders are recommended to read this document and the accompanying form of acceptance and transfer/renunciation for details of the Cash Offer. Your attention is also drawn to the information set out in the Appendices to this document.

Yours faithfully,  
For and on behalf of  
**Goldbond Group Holdings Limited**  
**Lam Kwok Wah**  
*Company Secretary*

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## LETTER FROM GOLDBOND CAPITAL

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金榜融資(亞洲)有限公司  
GOLDBOND CAPITAL (ASIA) LIMITED

**Goldbond Capital (Asia) Limited**  
39th Floor, Tower 1  
Lippo Centre  
89 Queensway  
Hong Kong

24 December 2003

*To the Offer Shareholders*

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY GENERAL OFFER BY  
GOLDBOND CAPITAL (ASIA) LIMITED  
ON BEHALF OF ACE SOLOMON INVESTMENTS LIMITED AND  
ALLIED LUCK TRADING LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES OF  
GOLDBOND GROUP HOLDINGS LIMITED  
(OTHER THAN THOSE SHARES ALREADY OWNED OR AGREED  
TO BE ACQUIRED BY ACE SOLOMON INVESTMENTS LIMITED OR  
ALLIED LUCK TRADING LIMITED  
OR PARTIES ACTING IN CONCERT WITH THEM)**

### INTRODUCTION

As disclosed in the announcement of the Company dated 22 October 2003, the Company proposed to raise approximately HK\$132.6 million before expenses by issuing not less than 1,325,952,000 new Shares and not more than 1,335,072,024 new Shares at a price of HK\$0.10 per new Share by way of the Open Offer, payable in full on application and on the basis of four new Shares for every Share held by them as at the Record Date. Subsequently, the ordinary resolution in relation to the Open Offer was duly passed by the Offer Shareholders at an extraordinary general meeting of the Company held on 28 November 2003.

As disclosed in the prospectus of the Company dated 28 November 2003 in relation to the Open Offer, none of the Preference Shares were converted into Share as at the Record Date and 331,488,000 Shares were in issue as at the Record Date and the results of acceptance of the Open Offer were subsequently announced on 18 December 2003. The Company received 54 valid applications for 677,791,857 new Shares, representing approximately 51.12% of the total number of 1,325,952,000 new Shares available for subscription under the Open Offer. Three of the 54 valid applications were received from Allied Luck, Canasia and Sparkle Power, which have applied for 310,032,000 Offer Shares provisionally allotted to them in compliance with the irrevocable undertaking given by them to the Company. As the Open Offer was under-

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## LETTER FROM GOLDBOND CAPITAL

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subscribed, the Underwriters were obliged to subscribe for and/or procure subscribers for the remaining balance of 648,160,143 new Shares. Allied Luck fulfilled its obligation under the Underwriting Agreement to take up 309,275,100 new Shares, representing approximately 18.66% of the issued ordinary share capital of the Company as enlarged by the Open Offer. Ace Solomon also fulfilled its obligation under the Underwriting Agreement to take up all other new Shares which were not taken up by Allied Luck, being 338,885,043 new Shares. As a result of the taking up of a total of 648,160,143 new Shares by the Underwriters, the number of Shares held by Ace Solomon, Allied Luck and parties acting in concert with them increased to 30% or more, and therefore Ace Solomon and Allied Luck and parties acting in concert with them are required under Rule 26 of the Takeovers Code to make a general offer for the Shares other than those held by Ace Solomon, Allied Luck or parties acting in concert with them. As at the Latest Practicable Date, Ace Solomon, Allied Luck and parties acting in concert with them are interested in approximately 62.49% of the issued ordinary share capital of the Company and Ace Solomon and Allied Luck and parties acting in concert with them are obliged to make an unconditional mandatory general offer for all the issued Shares and (other than those Shares already owned or agreed to be acquired by Ace Solomon, Allied Luck or parties acting in concert with them). Goldbond Capital is making the Cash Offer on behalf of Ace Solomon and Allied Luck.

This letter sets out details of the terms of the Cash Offer, together with information on Ace Solomon and Allied Luck and their intention regarding the Group. Your attention is also drawn to the letter from the Board, the letter from the Independent Board Committee and the letter of advice from Chateron in relation to the Cash Offer, as contained in this document.

### THE CASH OFFER

As a result of the taking up of 648,160,143 new Shares by the Underwriters under the Open Offer, the number of Shares held by Ace Solomon, Allied Luck and parties acting in concert with them increased to 30% or more, and therefore Ace Solomon and Allied Luck and parties acting in concert with them are required under Rule 26 of the Takeovers Code to make a general offer for the Shares other than those held by Ace Solomon, Allied Luck or parties acting in concert with them.

Goldbond Capital, on behalf of Ace Solomon and Allied Luck, is making the Cash Offer to acquire all the existing Shares and Preference Shares on the terms and subject to the conditions set out in this document and in the accompanying forms of acceptance and transfer/renunciation on the following basis:

**For each Share . . . . . HK\$0.10 in cash**

**For each Preference Share . . . . . HK\$0.0001 in cash**



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## LETTER FROM GOLDBOND CAPITAL

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The offer price of HK\$0.10 for each Share represents:

- (a) a discount of approximately 67.21% to the closing price (unadjusted) of HK\$0.305 per Share as quoted on the Stock Exchange on 16 October 2003 (being the last trading day immediately preceding the announcement of the Company dated 22 October 2003);
- (b) a discount of approximately 73.33% to the average closing price (unadjusted) of HK\$0.375 per Share as quoted on the Stock Exchange for the last five trading days before and including 16 October 2003 (being the last trading day immediately preceding the announcement of the Company dated 22 October 2003); and
- (c) a discount of approximately 44.44% to the closing price of HK\$0.180 per Share recorded on the Stock Exchange on the Latest Practicable Date.

As at the Latest Practicable Date, there were 1,657,440,000 Shares in issue, of which 696,815,100 Shares were held by Allied Luck, Canasia and Sparkle Power. The directors of Canasia and Sparkle Power have undertaken to Ace Solomon and Allied Luck that they will not accept the Cash Offer relating to their shareholdings.

### **Total consideration**

As at the Latest Practicable Date, there were 1,657,440,000 Shares in issue. Based on the offer price of HK\$0.10 per Share, the Cash Offer values the entire issued ordinary share capital of the Company at approximately HK\$165,744,000. Goldbond Capital is satisfied that there are sufficient financial resources available to Ace Solomon and Allied Luck to meet full acceptance of the Cash Offer at an offer price of HK\$0.10 per Share and HK\$0.0001 per Preference Share under the Cash Offer.

### **Settlement of the consideration**

Stamp duty at a rate of HK\$1 for every HK\$1,000 or part thereof of the amount payable in respect of relevant acceptances will be deducted from the amount payable to the Offer Shareholders who accept the Cash Offer. Ace Solomon and Allied Luck will then pay such stamp duty to the Stamp Office.

The amounts due to the Offer Shareholders who accept the Cash Offer will be posted by Ace Solomon and Allied Luck as soon as possible but in any event within 10 days of the date on which all the relevant documents are received by the Registrar or the company secretary of the Company (as the case may be) to render such acceptance complete and valid from such Offer Shareholders in accordance with the Takeovers Code.

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## LETTER FROM GOLDBOND CAPITAL

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### **Compulsory acquisition**

The Offerors and parties acting in concert with them do not intend to exercise any right which may be available to them under the provisions of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) to acquire compulsorily any Shares not acquired under the Cash Offer after the close of the Cash Offer but reserve the right to do so.

In addition, the Offerors and parties acting in concert with them have no intention as to transferring the Shares acquired under the Cash Offer to other persons/parties.

### **Effect of accepting the Cash Offer**

By accepting the Cash Offer, the Offer Shareholders will sell their Shares free from all liens, claims and encumbrances and all rights attached to them, including the right to receive all dividends and distribution recommended, declared, made or paid on or after Wednesday, 14 January 2004, being the closing date of the Cash Offer.

### **Dealings and holdings in the Shares**

As at the Latest Practicable Date, Ace Solomon and Allied Luck held 338,885,043 Shares and 497,232,000 Shares, representing approximately 20.45% and 30.00% of the entire issued ordinary share capital of the Company respectively. Canasia and Sparkle Power are deemed as concerted parties to Ace Solomon and Allied Luck, and they held 133,701,300 Shares and 65,881,800 Shares, representing approximately 8.07% and 3.97% of the entire issued ordinary share capital of the Company. Save for the aforesaid, Ace Solomon, Allied Luck and parties acting in concert with them do not have any shareholding interest in the Company or any outstanding warrants, options or securities convertible into the Shares.

Save for the subscription for the new Shares and/or underwriting of the new Shares (as applicable) under the Open Offer, there has been no dealing in the Shares by any of Mr. Wong, Mr. Kee, Ms. Loh, Ace Solomon, Allied Luck and parties acting in concert with any of them during the Relevant Period.

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## LETTER FROM GOLDBOND CAPITAL

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### INFORMATION ON MR. WONG, MR. KEE, MS. LOH, ACE SOLOMON AND ALLIED LUCK

Ace Solomon is a private investment holding company incorporated in the British Virgin Islands with limited liability, and is owned as to 11% by Mr. Wong, 46% by Mr. Kee and 43% by Ms. Loh. Since its incorporation on 16 May 2003, Ace Solomon has not carried on any business other than entering into the Underwriting Agreement. Mr. Wong, Mr. Kee and Ms. Loh are directors of Ace Solomon.

Allied Luck is a private investment holding company incorporated in the British Virgin Islands with limited liability, and is owned as to 50% by Mr. Wong and as to 50% by Mrs. Wong, the spouse of Mr. Wong. The sole business activity of Allied Luck is its investment holding in 30% of the issued ordinary share capital of the Company as at the Latest Practicable Date. Mr. Wong and Mrs. Wong are directors of Allied Luck.

Mr. Wong, aged 53, joined the Company as an Executive Director in January 2003. Mr. Wong has been the Vice Chairman of the Company since July 2003 and is primarily responsible for the corporate strategic planning of the Group. He is a businessman who has been engaged in consumer product logistics business for more than 30 years.

Mr. Kee, aged 55, joined the Company as an Executive Director in January 2003, is responsible for management and legal aspects of the Group. He is a practicing solicitor in Hong Kong and the senior partner of Messrs. Michael Cheuk, Wong & Kee. He has over 20 years of experience in legal field and has extensive legal practice in commercial and corporate laws both in Hong Kong and China.

Ms. Loh, aged 39, joined the Company as an Executive Director in January 2003. Ms. Loh has been the Chief Executive Officer of the Company since July 2003 and is responsible for the business development, investment, administration and finance of the Group. She is also the chief executive officer of an investment company engaging in, among other things, investments in both listed and non-listed companies. She has more than 10 years of experience in finance and investment banking industry and is a qualified chartered accountant in Canada.

Ace Solomon and Allied Luck do not expect the full acceptance of the Cash Offer will have any effect upon their respective assets, liabilities, profits and business which may be significant for a proper approval of the Cash Offer.

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## LETTER FROM GOLDBOND CAPITAL

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### INTENTION OF ACE SOLOMON AND ALLIED LUCK REGARDING THE GROUP

The Offerors are confident in the Group's future prospects and consider the Cash Offer (which was triggered by the Open Offer) presented a good opportunity for them to increase their shareholdings in the Company at an attractive price.

It is neither the intention of Ace Solomon nor Allied Luck to make any material changes to the principal activities of the Group or to amend the Company's stated strategy as described above. Each of Ace Solomon and Allied Luck also has no plan to inject any of its respective assets into the Company and/or to redeploy any fixed assets of the Company.

Ace Solomon and Allied Luck do not expect any appointment of Directors or material changes in the management or employees of the Group as Ace Solomon and Allied Luck intend that the daily operation of the Group will continue to be carried out by existing management and the employees of the Group following the completion of the Cash Offer. Ace Solomon and Allied Luck are of the view that it will be beneficial to the Group to maintain its existing management and employees as any changes in these respects will cause disruption to the existing operation.

### INFORMATION ON CANASIA AND SPARKLE POWER

Canasia is a private investment holding company incorporated in the British Virgin Islands with limited liability, and is wholly owned by Mr. Kee. The sole business activity of Canasia is its investment holding in approximately 8.07% of the issued ordinary share capital of the Company as at the date of this document. Mr. Kee is the sole director of Canasia.

Sparkle Power is a private investment holding company incorporated in the British Virgin Islands with limited liability, and is owned as to 50% by Ms. Loh and as to 50% by Mr. Ko. The sole business activity of Sparkle Power is its investment holding in approximately 3.97% of the issued ordinary share capital of the Company as at the date of this document. Ms. Loh and Mr. Ko are directors of Sparkle Power.

Canasia and Sparkle Power are deemed as concerted parties to Ace Solomon and Allied Luck.

### MAINTAINING THE LISTING STATUS OF THE COMPANY

It is the intention of Ace Solomon and Allied Luck that the listing of the Shares on the Stock Exchange should be maintained. Accordingly, the Company, the Directors, Ace Solomon, Allied Luck and the respective directors of Ace Solomon and Allied Luck have undertaken to the Stock Exchange, in terms to be agreed with the Stock Exchange, to take appropriate steps as soon as practicable following the close of the Cash Offer to ensure not less than 25% of the Shares will be held by the public.

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## LETTER FROM GOLDBOND CAPITAL

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The Stock Exchange has stated that, in the event that less than 25% of the Shares are in public hands following the closing of the Cash Offer; or if the Stock Exchange believes that a false market exists or may exist in the Shares or that there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the Shares.

If the Company remains as a listed company, any future injections into or disposals of the Company will be subject to the provisions of the Listing Rules. Pursuant to the Listing Rules, the Stock Exchange has a discretion to require the Company to issue a circular to its shareholders where any acquisition or disposal by the Company is proposed, irrespective of the size of such acquisition or disposal and in particular where such acquisition or disposal represents a departure from the principal activities of the Company. The Stock Exchange also has the power pursuant to the Listing Rules to aggregate a series of acquisitions or disposals by the Company and any such acquisitions or disposals may, in any event, result in the Company being treated as a new applicant for listing and subject to the requirements for new applicants as set out in the Listing Rules.

### ACCEPTANCE AND SETTLEMENT FOR THE CASH OFFER

#### Procedures for acceptance

To accept the Cash Offer, you should complete the accompanying white form of acceptance and transfer in accordance with the instructions printed thereon, which instructions form part of the terms and conditions of the Cash Offer.

The completed form of acceptance and transfer should then be forwarded, together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for not less than the number of Shares in respect which you intend to accept the Cash Offer, by post or by hand, to the Registrar, Computershare Hong Kong Investor Services Limited at Rooms 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, in an envelope marked "Goldbond Group Holdings Limited - Cash Offer" as soon as possible but in any event so as to reach the Registrar by not later than 4:00 p.m. on Wednesday, 14 January 2004 or such later date as Ace Solomon and Allied Luck may determine and announce. No acknowledgement of receipt of any form of acceptance and transfer, Share certificate(s), transfer receipt(s) or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

Your attention is drawn to the conditions and further terms of the Cash Offer set out in Appendix I to this document and in the accompanying forms of acceptance. The Offer Shareholders with registered addresses outside Hong Kong please also pay attention to the section headed "General" in Appendix I to this document.

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## LETTER FROM GOLDBOND CAPITAL

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### **Settlement**

Provided that the relevant form of acceptance and transfer and Share certificate(s) and/or transfer receipt(s) and/or any document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are in complete and good order and have been received by the Registrar on or before 4:00 p.m. on Wednesday, 14 January 2004, a cheque for the amount due to each of the accepting Offer Shareholders in respect of the Shares tendered by him/her under the form(s) of acceptance and transfer, less seller's ad valorem stamp duty payable by him/her, will be despatched to each of them by ordinary post at his/her own risk as soon as possible but in any event within 10 days of the later of the date on which all the relevant documents are received by the Registrar to render such acceptance complete and valid.

### **Nominee registration**

To ensure equality of treatment of all Offer Shareholders, those registered Offer Shareholders who hold Shares as nominee for more than one beneficial owner should, so far as practicable, treat the holding of each beneficial owner separately. In order for beneficial owners of the Shares, whose investments are registered in nominee names, to accept the Cash Offer, it is essential that they provide instructions to their nominees of their intentions with regard to the Cash Offer.

All documents and remittances will be sent to the Offer Shareholders through post at their own risk. These documents and remittances will be sent to them at their respective addresses as they appear in the register of members or, in the case of joint Shareholders, to the Shareholder whose name appears first in the said register of members, unless otherwise specified in the relevant forms of acceptance completed and returned by the Offer Shareholders. None of the Company, Ace Solomon, Allied Luck, the parties acting in concert with Ace Solomon and Allied Luck, Goldbond Capital and the Registrar or any of their respective directors will be responsible for any loss or delay in transmission of such documents and remittances or any other liabilities that may arise as a result thereof.

### **TAXATION**

The Offer Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting the Cash Offer. It is emphasised that none of the Company, Ace Solomon, Allied Luck, the parties acting in concert with Ace Solomon and Allied Luck, Goldbond Capital and the Registrar or any of their respective directors accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance of the Cash Offer.

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## LETTER FROM GOLDBOND CAPITAL

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### GENERAL

The Offer Shareholders are advised to read carefully the letter of advice from Chateron in relation to the Cash Offer as contained in this document before deciding whether or not to accept the Cash Offer.

Your attention is drawn to the condition and further terms of the Cash Offer and the additional information set out in the Appendices to this document.

Yours faithfully,  
For and on behalf of  
**Goldbond Capital (Asia) Limited**  
**Stacey Wong**  
*Managing Director*

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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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**GOLDBOND GROUP HOLDINGS LIMITED**

**金榜集團控股有限公司**

*(incorporated in Hong Kong with limited liability)*

24 December 2003

*To the Offer Shareholders*

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY GENERAL OFFER BY  
GOLDBOND CAPITAL (ASIA) LIMITED  
ON BEHALF OF ACE SOLOMON INVESTMENTS LIMITED AND  
ALLIED LUCK TRADING LIMITED  
TO ACQUIRE ALL THE ISSUED  
SHARES OF  
GOLDBOND GROUP HOLDINGS LIMITED  
(OTHER THAN THOSE SHARES ALREADY OWNED OR AGREED  
TO BE ACQUIRED BY ACE SOLOMON INVESTMENTS LIMITED OR  
ALLIED LUCK TRADING LIMITED  
OR PARTIES ACTING IN CONCERT WITH THEM)**

We have been appointed as members of the Independent Board Committee to advise the Offer Shareholders in respect of the Cash Offer, details of which are set out in the letter from the Board in the document dated 24 December 2003 (the “Document”) to the Shareholders, of which this letter forms part. Terms defined in the Document shall have the same meanings when used in this letter unless the context otherwise requires.

We wish to draw your attention to the letter from the Board and the letter of advice from Chateron set out on pages 7 to 12 and pages 23 to 42 of the Document respectively. We have considered and discussed with Chateron its letter of advice and the principal factors and reasons considered by it as well as its recommendation in relation to the Cash Offer. We concur with Chateron’s advice and recommend the Offer Shareholders to accept the Cash Offer.

Notwithstanding our recommendations, the Shareholders should consider carefully the terms and conditions of the Cash Offer.

Yours faithfully,  
**Ma Ho Fai     Zhang Xiao Shu**  
*Independent Board Committee*



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## LETTER FROM CHATERON

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*The following is the text of the letter of advice to the Independent Board Committee from Chateron for inclusion in this document.*

**CHATERON**  
**CORPORATE FINANCE LIMITED**  
SUITE 20B, 20TH FLOOR,  
9 QUEEN'S ROAD CENTRAL, HONG KONG  
TEL: (852) 2868 2828 FAX: (852) 2868 0390

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24 December 2003

The Independent Board Committee  
Goldbond Group Holdings Limited  
Office 3902A  
Tower 1  
Lippo Centre  
89 Queensway  
Hong Kong

Dear Sirs,

**MANDATORY UNCONDITIONAL CASH OFFER (THE “CASH OFFER”) BY  
GOLDBOND CAPITAL (ASIA) LIMITED (“GOLDBOND CAPITAL”) ON BEHALF OF  
ALLIED LUCK TRADING LIMITED AND ACE SOLOMON INVESTMENTS LIMITED  
(TOGETHER, THE “OFFERORS”)  
TO ACQUIRE ALL THE ISSUED SHARES AND PREFERENCE SHARES  
NOT ALREADY OWNED AND/OR AGREED TO BE ACQUIRED BY  
THE OFFERORS AND PARTIES ACTING IN CONCERT WITH THEM  
AT HK\$0.10 PER SHARE AND HK\$0.0001 PER PREFERENCE  
SHARE, RESPECTIVELY**

### INTRODUCTION

We refer to the composite offer document dated 24 December 2003 (the “**Offer Document**”) issued by the Offerors and Goldbond Group Holdings Limited (the “**Company**”) in relation to the Cash Offer, and of which this letter forms part. Capitalized terms used in this letter shall have the same meanings ascribed to them in the Offer Document unless the context herein otherwise requires.

Details of, inter alia, the terms of the Cash Offer are referred to in the letter from Goldbond Capital as set out on pages 13 to 21 of the Offer Document. As referred to in the letter from the Board as set out on pages 7 to 12 of the Offer Document, the Independent Board Committee will be constituted by the Company to advise the Shareholders and holders of the outstanding Preference Shares other than the Offerors and their concert parties (the “**Offer Shareholders**”) in relation to the Cash Offer.

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## LETTER FROM CHATERON

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Accordingly, the Independent Board Committee comprising Messrs Ma Ho Fai and Zhang Xiao Shu, being independent non-executive Directors, has been constituted by the Company to advise the Offer Shareholders in relation to the Cash Offer. In evaluating the eligibility of Messrs Ma Ho Fai and Zhang Xiao Shu in being appointed by the Company as members of the Independent Board Committee, we noted that:-

- (i) Mr Wong, an executive Director, is also a shareholder of Allied Luck and Ace Solomon. Given that Allied Luck and Ace Solomon are collectively the Offerors under the Cash Offer, we consider that Mr Wong has a conflict of interest in the Cash Offer and is therefore not eligible for appointment as a member of the Independent Board Committee;
- (ii) Mr Ko, an executive Director, is a shareholder of Sparkle Power (who is a Shareholder of the Company as at the Latest Practicable Date). The other shareholder of Sparkle Power is Ms Loh, who is also an executive Director and who is also a shareholder of Ace Solomon, being one of the Offerors. Therefore, we consider that Sparkle Power is a party acting in concert with the Offerors and therefore Mr Ko has a conflict of interest in the Cash Offer. Accordingly, we consider that Mr Ko is not eligible for appointment as a member of the Independent Board Committee;
- (iii) Ms Loh, an executive Director, is a shareholder of each of Ace Solomon and Sparkle Power. Given that Ace Solomon is one of the Offerors and Sparkle Power is a party acting in concert with the Offerors, we consider that Ms Loh has a conflict of interest in the Cash Offer and is therefore not eligible for appointment as a member of the Independent Board Committee;
- (iv) Mr Lan Ning, an executive Director, is a salaried employee of the Group. He carries out executive functions within the Board and had participated in negotiations and discussions in relation to the Open Offer. Accordingly, Mr Lan Ning was interested in the Open Offer, the completion of which results in the Offerors' obligations to make the Cash Offer. Therefore, we consider that Mr Lan Ning has a conflict of interest in the Cash Offer and is therefore not eligible for appointment as a member of the Independent Board Committee;
- (v) Mr Kee, an executive Director, wholly owns Canasia (who is a Shareholder of the Company as at the Latest Practicable Date). Mr Kee is also a shareholder of Ace Solomon. Given that Ace Solomon is one of the Offerors, we consider that Mr Kee has a conflict of interest in the Cash Offer and is therefore not eligible for appointment as a member of the Independent Board Committee;

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## LETTER FROM CHATERON

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(vi) Mr. Ma Ho Fai, an independent non-executive Director, declares that (i) he was not interested in the Cash Offer and therefore he did not have any conflict of interest in the Cash Offer as at the Latest Practicable Date; (ii) he had no financial or any other connection with any of the Offerors, the Company or its controlling shareholder and/or substantial shareholders or any party acting or presumed to be acting in concert with any of them; and (iii) he did not have any direct or indirect equity or equity-related interests in the Offerors, the Company or its controlling shareholders and/or substantial shareholders or any party acting or presumed to be acting in concert with any of them. Therefore, we consider that Mr. Ma Ho Fai is eligible for appointment as a member of the Independent Board Committee; and

(vii) Mr. Zhang Xiao Shu, an independent non-executive Director, declares that (i) he was not interested in the Cash Offer and therefore he did not have any conflict of interest in the Cash Offer as at the Latest Practicable Date; (ii) he had no financial or any other connection with any of the Offerors, the Company or its controlling shareholder and/or substantial shareholders or any party acting or presumed to be acting in concert with any of them; and (iii) he did not have any direct or indirect equity or equity-related interests in the Offerors, the Company or its controlling shareholders and/or substantial shareholders or any party acting or presumed to be acting in concert with any of them. Therefore, we consider that Mr. Zhang Xiao Shu is eligible for appointment as a member of the Independent Board Committee,

and accordingly Messrs Ma Ho Fai and Zhang Xiao Shu were appointed by the Company as members of the Independent Board Committee to advise the Offer Shareholders in relation to the Cash Offer.

We, Chateron, have been appointed by the Company to advise the Independent Board Committee in relation to the Cash Offer. This letter contains our advice to the Independent Board Committee as to whether or not the terms of the Cash Offer are fair and reasonable and are in the interests of the Offer Shareholders, and our advice to the Independent Board Committee as to whether or not it should recommend the Offer Shareholders to accept the Cash Offer.

In formulating our opinion and recommendation to the Independent Board Committee in relation to the Cash Offer, we have relied on the accuracy of the information and representations contained in the Offer Document which have been provided to us by the Directors and in respect of which the Directors consider to be complete and relevant. We have assumed that all statements, information and representations made or referred to in the Offer Document, for which the Directors are solely responsible, were true and correct in all respects at the time they were made and continued to be so as at the date of despatch of the Offer Document. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Offer Document were reasonably made after due and careful enquiries and

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## LETTER FROM CHATERON

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are based on honestly-held opinions. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors, and we have been advised by the Directors that no material facts have been omitted from the information and representations provided in and referred to in the Offer Document. We consider that we have received sufficient information to enable us to reach an informed view and to justify our reliance on the accuracy of the information and representations contained in the Offer Document and to provide a reasonable basis for our opinion and recommendation. We have no reason to suspect that any material information has been withheld by the Group or any of its subsidiaries in formulating our advice to the Independent Board Committee in relation to the Cash Offer. We have not, however, carried out any independent verification of the information provided to us by the Directors, nor have we conducted an independent in-depth investigation into the affairs of the Company or any of its subsidiaries.

In formulating our opinion and recommendation, we have not considered the tax consequences on any Shareholder as a result of the acceptance (or otherwise) of the Cash Offer by the Offer Shareholders, since these are particular to the individual circumstances of any Shareholder. It is emphasized that we will not accept any responsibility or liability for any tax effects on or liabilities of any person resulting from the Cash Offer being accepted by the Offer Shareholders. In particular, any Shareholder who is in any doubt about his/her own tax position in connection with the Cash Offer should consult his/her own professional adviser(s).

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion and recommendation to the Independent Board Committee in relation to the terms of the Cash Offer, we have considered the principal and reasons set out below:

#### **1. Reasons for the Cash Offer**

As referred to in the letter from Goldbond Capital as set out on pages 13 to 21 of the Offer Document, the Offerors and their concert parties (namely, Canasia and Sparkle Power) had an aggregate beneficial interest of 1,035,700,143 Shares, representing approximately 62.49% of the Company's issued share capital, after completion of the Open Offer as at the Latest Practicable Date. Before the Open Offer, the Offerors and their concert parties were beneficially interested in an aggregate of 77,508,000 Shares, representing approximately 23.38% of the Company's then issued share capital.

Given that the Offerors and their concert parties have together increased their aggregate beneficial shareholding to more than 30% of the voting rights of the Company after completion of the Open Offer, accordingly, the Offerors and their concert parties are subject to an obligation to make the Cash Offer to acquire (i) all the issued Shares which are not already owned and/or agreed to be acquired by the Offerors and their concert parties (the "Offer

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## LETTER FROM CHATERON

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Shares”) as at the Latest Practicable Date in accordance with Rule 26.1 of the Takeovers Code; and (ii) all the outstanding Preference Shares which are not already owned and/or agreed to be acquired by the Offerors and their concert parties (the “Offer Preference Shares”) as at the Latest Practicable Date in accordance with Rule 13 of the Takeovers Code.

### 2. Business review and prospects of the Group

#### 2.1 Business review

As at the Latest Practicable Date, the Group is principally engaged in property investment and other investments in Hong Kong. Set out below is a summary of (i) the Group’s audited financial results performances during the past three financial years ended 31 March 2003; and (ii) the Group’s unaudited financial results performances during the period of six months ended 30 September 2003 (compared with the Group’s unaudited financial results during the corresponding six month period ended 30 September 2002):

	Six months ended		Year ended 31 March		
	30 September				
	2003	2002	2003	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover – rental income	12,944	11,553	23,175	23,051	23,203
Operating profit/(loss)	18,241	15,438	(55,170)	(43,385)	(930,420)
<i>Year-on-year/Period-on-period increase/(decrease) (%)</i>	<i>18.2%</i>	<i>n/a</i>	<i>27.2%</i>	<i>(95.3%)</i>	<i>n/a</i>
Profit/(Loss) after taxation	15,106	7,608	(71,962)	(78,965)	(1,124,387)
(Loss) attributable to the Shareholders	15,106	7,608	(71,962)	(78,965)	(1,124,387)
Reported profit/(loss) per share (HK\$)	0.05	0.02	(0.02)	(0.04)	(2.78)
Dividend per share (HK\$)	nil	nil	nil	nil	nil

The Group’s property portfolio comprises (i) retail shop units in Golden Plaza, which is a commercial podium in Mongkok, Kowloon and which are leased out on commercial terms; and (ii) a residential property unit situated in Shanghai Street, Kowloon, whose aggregate market valuation amounted to approximately HK\$335.8 million as at 31 March 2003 representing approximately 93% of the Group’s audited total assets of approximately HK\$360.6 million as at 31 March 2003. The Group’s other investments comprise holdings of the shares of eCyberChina Holdings Limited, which is a listed company on the Stock Exchange, for an aggregate book value of approximately HK\$2.84 million representing about 0.8% of the Group’s audited total assets of approximately HK\$360.6 million as at 31 March 2003.

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## LETTER FROM CHATERON

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We noted that during the past three financial years ended 31 March 2003 and the period of six months ended 30 September 2003, the Group derived its turnover from rental income generated by its investment properties in Hong Kong. Based on the Group's rental income of approximately HK\$23.2 million during the financial year ended 31 March 2003 and the aggregate market valuation of the Group's investment properties of approximately HK\$335.8 million as at 31 March 2003, the Group recorded a property yield of approximately 6.9% from its investment property interests. On a similar basis, we have evaluated that the Group recorded a property rental yield of approximately 3.7% during the period of six months ended 30 September 2003. We noted that the Group's reported unaudited interim profit attributable to Shareholders of approximately HK\$15.1 million during the period of six months ended 30 September 2003 is mainly attributable to a gain arising from an independent market valuation of the Group's investment properties in Hong Kong of about HK\$15 million as at 30 September 2003, when compared with the corresponding independent market valuation as at 31 March 2003. Ignoring the effect of such property revaluation surplus, the Group would otherwise have reported a proforma unaudited profit attributable to Shareholders of only approximately HK\$0.1 million during the six months ended 30 September 2003, which represents a deterioration by about 99% when compared with the Group's reported unaudited profit attributable to Shareholders of approximately HK\$7.6 million during the corresponding six month period ended 30 September 2002.

As a move to diversify the Group's business operations, the Company announced on 3 December 2003 its conditional acquisition (the "**Acquisition**") of a 25% interest in Nanjing City Plaza Construction Co. Ltd. ("**Nanjing City Plaza**") for a consideration of HK\$101 million. Furthermore, on 15 December 2003, the Company announced that it has entered into an agreement to subscribe for 12 units of Gobi Fund, Inc. for a consideration of US\$6 million (equivalent to approximately HK\$46.8 million).

### *Nanjing City Plaza*

Nanjing City Plaza is a Sino-foreign joint venture having a 51% interest in a joint stock limited liability company in the PRC ("**Nanjing International**") which is engaged in the development of a property project in Nanjing, the PRC, namely World Trade and Exhibition Centre (Nanjing). The World Trade and Exhibition Centre (Nanjing) development project will be developed into two phases, the first phase of which (Phase I) is under construction as at the Latest Practicable Date and is expected to be completed in 2006 whilst the second phase of which (Phase II) is in a planning stage as at the Latest Practicable Date. Upon completion of development, Phase I will comprise a commercial centre, service apartments and office premises with a total gross floor area of about 213,617 square metres and Phase II will comprise a 68-floor commercial building with a total gross floor area of about 158,025 square metres which shall include a hotel and office premises. The consideration payable by the Company under the Acquisition of

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## LETTER FROM CHATERON

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HK\$101 million will be satisfied as to (i) approximately HK\$100 million in cash derived from the proceeds of the Open Offer; and (ii) the remaining approximately HK\$1 million by the Company's issuance of 5,000,000 new Shares at a price of HK\$0.20 per Share.

### *Gobi Fund, Inc.*

Gobi Fund, Inc. is a venture capital fund which focuses on early stage investments in the PRC's digital media sector, such as telecommunications, internet and broadcasting. Gobi Fund, Inc. will invest in areas in the PRC's digital media sectors that are not restrictive on foreign investors. Gobi Fund, Inc. will comprise 150 units with a target capitalization of US\$75 million (equivalent to approximately HK\$585 million), of which the first round subscription of US\$30 million (equivalent to HK\$234 million) was fully subscribed as at the Latest Practicable Date whilst the second round subscription of US\$45 million (equivalent to approximately HK\$351 million) is expected to fall between 24 December 2003 and 31 May 2004. The investment period of Gobi Fund, Inc. will be around 5 years commencing from the first closing date of the second round subscription. By subscribing for 12 units in Gobi Fund, Inc. for an aggregate consideration of US\$6 million (equivalent to approximately HK\$46.8 million), the Company will become an 8% shareholder of Gobi Fund, Inc. and the Company is entitled to nominate one of its executives to the board of Gobi Fund, Inc., representing one member out of the entire five members within the board of Gobi Fund, Inc.. However, according to the subscription agreement between the Company and Gobi Fund, Inc., no guaranteed return will be provided by Gobi Fund, Inc. to its shareholders, including the Company.

### *2.2 Prospects*

#### *With regard to the Group's existing business in property investments*

With regard to the Group's existing business operations as at the Latest Practicable Date whereupon the Group derives its revenue predominantly from rental income on its investment property interests, we were informed by the Directors that (i) about 65% and 34% in number of the retail shop units in Golden Plaza, Mongkok, Kowloon are due to expire within one and two years, respectively, commencing from the Latest Practicable Date; and (ii) the residential property unit in Shanghai Street, Kowloon is in vacant possession as at the Latest Practicable Date. Therefore, we consider that there exists uncertainties as to whether or not the investment property in Golden Plaza, Mongkok, Kowloon will be able to generate a continuing stable income for the Group, due to the expiry of the underlying tenancies between one and two years from the Latest Practicable Date and given the increase in the number of newly developed and/or renovated shopping malls in Hong Kong as well as the competitive rentals in view of the weakened economy and property market sentiment in Hong Kong after 1997. Furthermore, although we were informed by the Directors

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## LETTER FROM CHATERON

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that the Company is seeking to find a potential buyer for the residential property unit in Shanghai Street, Kowloon, we consider that it is uncertain whether or not such property may be successfully disposed of by the Group for reason that such property is already 43 years old and that there exist other available choices in the Hong Kong residential property market which are more recently developed and are of better locations, qualities and facilities.

Therefore, based on the foregoing, we are of the view that the Group's existing revenue source is heavily reliant on its investment property interests, which we have however evaluated to be unattractive in terms of their prospects in the long term.

***With regard to the Group's investment in the World Trade and Exhibition Centre (Nanjing) development project (to be completed)***

We noted that as referred to in the Company's announcement dated 3 December 2003, the Acquisition is conditional upon, inter alia, the approval of the Shareholders and that the Acquisition is not yet completed as at the Latest Practicable Date. However, even assuming completion of the Acquisition as a result of which the Group will invest in the World Trade and Exhibition Centre (Nanjing) development project, we were informed by the Directors that (i) the total investment under Phase I of the World Trade and Exhibition Centre (Nanjing) development project is estimated to be approximately RMB1,473.5 million (equivalent to approximately HK\$1,390.1 million), but of which only approximately RMB357.9 million (equivalent to approximately HK\$337.7 million) has been paid up to and including the Latest Practicable Date; and (ii) the total investment under Phase II of the World Trade and Exhibition Centre (Nanjing) development project is estimated to be approximately RMB1,500 million (equivalent to approximately HK\$1,415 million). In this regard, we were informed by the Directors that (i) the remaining balance of the Phase I investment of the World Trade and Exhibition Centre (Nanjing) development project, being approximately RMB1,115.6 million (equivalent to approximately HK\$1,052.4 million), is expected to be funded from cash subscription by Nanjing City Plaza for new shares in Nanjing International, the sale proceeds to be derived from the pre-sale units of the Phase I development and external financings to be arranged by Nanjing International; and (ii) the Phase II investment of the World Trade and Exhibition Centre (Nanjing) development project, being approximately RMB1,500 million (equivalent to approximately HK\$1,415 million), is expected to be funded mainly by the sale proceeds to be derived from the sale of the units of the Phase I development and, if required, external financings to be arranged by Nanjing International.

As referred to in the Company's announcement dated 3 December 2003 in relation to the Acquisition, we noted that the Company will have an approximately 16.05% beneficial interest in Nanjing International upon completion of the Acquisition. In this regard, we consider that the Company will have (i) an attributable



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share of approximately RMB179 million (equivalent to approximately HK\$169 million) of the remaining balance of the Phase I investment of the World Trade and Exhibition Centre (Nanjing) development project prior to its completion; and (ii) an attributable share of approximately RMB241 million (equivalent to approximately HK\$227 million) of the Phase II investment of the World Trade and Exhibition Centre (Nanjing) development project prior to its completion. This means that, if assuming a worst case scenario whereupon Nanjing International is unable to procure funding from Nanjing City Plaza and its shareholders and/or to derive any sale proceeds from the sales of units in Phase I of the World Trade and Exhibition Centre (Nanjing) project and/or if Nanjing International is unable to procure any external financings in the manner as discussed above, then the Company will be required to contribute a maximum aggregate amount of approximately RMB420 million (equivalent to approximately HK\$396 million) towards the required investments under Phase I and Phase II of the World Trade and Exhibition Centre (Nanjing) development project prior to completion. In this regard, we noted that as referred to in Appendix III to the Offer Document, the Company's proforma adjusted unaudited net tangible asset value is approximately HK\$280 million as at the Latest Practicable Date after completion of the Open Offer. Given that the Company's maximum aggregate contribution for completion of the World Trade and Exhibition Centre (Nanjing) development project, being approximately HK\$396 million as discussed above, exceeds the Company's proforma net assets of approximately HK\$280 million as at the Latest Practicable Date, we consider that this would indicate the possibility of further capital requirements, and hence possible fund raising exercises by the Company during the course of time. Furthermore, given that Phase I is expected to be completed by the year 2006 and that Phase II is only at its planning stage as at the Latest Practicable Date, we are unable to evaluate the magnitude of financial returns which may be generated from completion of the World Trade and Exhibition Centre (Nanjing) development project against the investments by the Shareholders (including the Offer Shareholders) in the Company through retaining their holdings of the Shares and/or their participation in any future fund raising exercises of the Company for the purpose of funding the development of the World Trade and Exhibition Centre (Nanjing) project. In view of the foregoing uncertainty regarding the capital requirements from the Group and the financial returns to the Group in relation to the World Trade and Exhibition Centre (Nanjing) project, we therefore consider that it would be in the interests of the Shareholders (including the Offer Shareholders) to realize their holdings of the Shares. The Cash Offer provides an exit mechanism whereupon the Offer Shareholders are able to realize their holdings of the Shares, under certainty, by accepting the Cash Offer. Therefore, we consider that it is fair and reasonable and in the interests of the Offer Shareholders to accept the Cash Offer.

***With regard to the Group's investment in Gobi Fund, Inc.***

We noted that as referred to in the Company's announcement dated 15 December 2003, the Company is liable to pay an amount of US\$1.5 million

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(equivalent to approximately HK\$11.7 million) by the end of December 2003, which represents 25% of the total consideration payable by it of US\$6 million (equivalent to approximately HK\$46.8 million), assuming that Gobi Fund, Inc. achieves the target capitalization of US\$75 million (equivalent to approximately HK\$585 million), for acquiring an 8% interest in Gobi Fund, Inc.. The remaining balance of the consideration, being US\$4.5 million (equivalent to HK\$35.1 million), shall be payable by the Company to Gobi Fund, Inc. over a period of 5 years, with the first installment of approximately US\$350,000 (equivalent to approximately HK\$2.73 million) expected to be payable by the Company by the end of the second quarter of 2004.

Nevertheless, given that Gobi Fund, Inc. is a venture capital fund which focuses on early stage investments in the PRC's digital media sector, such as telecommunications, internet and broadcasting, we are unable to evaluate the magnitude of financial returns which may be generated from the proposed investments of Gobi Fund, Inc. in the PRC's digital media sector. Furthermore, there is no underlying track record in the investment performances of Gobi Fund, Inc., and there is no pre-determined allocation regarding the usage of funds by Gobi Fund, Inc. between the various industries of the PRC's digital media sector, such as telecommunications, internet and broadcasting. We consider that, given an investment period of around five years commencing from the first closing date of the second round subscription in Gobi Fund, Inc., the Group will essentially be seeking a return on its investment in Gobi Fund, Inc. based on a medium to long term horizon. In this regard, we noted that according to the subscription agreement between the Company and Gobi Fund, Inc., no guaranteed return will be provided by Gobi Fund, Inc. to its shareholders, including the Company. Therefore, we consider that there exists a number of uncertain factors underlying the financial returns to the Group from its investment in Gobi Fund, Inc., and therefore it would be in the interests of the Shareholders (including the Offer Shareholders) to realize their holdings of the Shares. The Cash Offer provides an exit mechanism whereupon the Offer Shareholders are able to realize their holdings of the Shares, under certainty, by accepting the Cash Offer. Therefore, we consider that it is fair and reasonable and in the interests of the Offer Shareholders to accept the Cash Offer.

### 3. Terms of the Cash Offer

Details of the terms of the Cash Offer are set out in the letter from Goldbond Capital as set out on pages 13 to 21 of the Offer Document. In summary, the Cash Offer will be made by Goldbond Capital, on behalf of the Offerors, on the following basis:

**For each Offer Share . . . . . HK\$0.10 in cash**

**For each Offer Preference Share . . . . . HK\$0.0001 in cash**

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### *3.1 In respect of the Offer Shares*

The offer price of HK\$0.10 per Offer Share is equal to the cash price of HK\$0.10 paid for by the Offerors in acquiring an aggregate controlling interest by the Offerors and their concert parties of approximately 62.49% in the Company's issued share capital through the Offerors' subscription of untaken Shares under the terms of the Open Offer, which gives rise to the Offerors' obligations to make the Cash Offer in accordance with the requirements of the Takeovers Code as referred to in the paragraph headed "Reasons for the Cash Offer" above. Therefore, we consider that the Offer Shareholders are receiving a consideration per Offer Share held by them for an amount which is not less than that paid for by the Offerors in acquiring their aggregate control of the Company, which we consider to be fair and reasonable to the Offer Shareholders.

### *3.2 In respect of the Offer Preference Shares*

The offer price of HK\$0.0001 per Offer Preference Share takes into account the conversion price of HK\$1.00 per Share in respect of the conversion rights attaching to the Offer Preference Shares, which we noted are exercisable during the period of 12 months commencing from 18 October 2003 up to and including 17 September 2004. Based on the closing Share price of HK\$0.18 as at the Latest Practicable Date, the Offer Preference Shares were out-of-the-money as at the Latest Practicable Date notwithstanding that they possess time value in view of the expiry date of conversion on 17 September 2004.

In accordance with Note 1 to Rule 13 of the Takeovers Code, the offer price per Offer Preference Share should be determined on the basis of the offer price per Offer Share and that any "see-through" price arising therefrom, being the amount calculated by deducting the conversion price of each Offer Preference Share from the offer price per Offer Share, shall constitute the minimum offer price for each Offer Preference Share. In the circumstances, given that the conversion price of each Offer Preference Share, being HK\$1.00 per Share, is higher than the offer price of HK\$0.10 per Offer Share under the Cash Offer, we consider that there is no "see-through" price for each Offer Preference Share which may constitute an appropriate basis for determining the minimum offer price for each Offer Preference Share. Therefore, we are of the view that the offer price of HK\$0.0001 in cash for each Offer Preference Share surrendered essentially represents a nominal consideration payable by the Offerors to the holders of the Offer Preference Shares, which we consider to be fair and reasonable.

## **4. The offer price in respect of the Offer Shares**

In the following sub-paragraphs, we have evaluated the offer price of HK\$0.10 per Offer Share with reference to (i) the historical traded Share price performances; (ii) the historical trading volume of the Shares in the market; (iii) the market statistics of other companies listed on the Stock Exchange which are predominantly engaged in property investments in Hong Kong and the PRC; and (iv) the dividend history of the Company.

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### *4.1 With reference to the historical traded Share price performances*

As referred to in the paragraph headed “Reasons for the Cash Offer” above, the Offerors and their concert parties are subject to an obligation to make the Cash Offer after completion of the Open Offer in accordance with the requirements of the Takeovers Code. Therefore, we consider that for the purpose of evaluating the offer price of HK\$0.10 per Offer Share, we have made reference to the Share price performances after completion of the Open Offer which took place on 18 December 2003.

The offer price of HK\$0.10 per Offer Share represents:

- (i) a discount of approximately 46.8% to the highest recorded Share price of HK\$0.188 during the period commencing from 19 December 2003 (being the business day immediately following the date of completion of the Open Offer) up to and including the Latest Practicable Date;
- (ii) a discount of approximately 44.4% to the lowest recorded Share price of HK\$0.18 during the period commencing from 19 December 2003 up to and including the Latest Practicable Date;
- (iii) a discount of approximately 45.7% to the average traded Share price of approximately HK\$0.184 commencing from 19 December 2003 up to and including the Latest Practicable Date; and
- (iv) a discount of approximately 44.4% to the closing Share price of HK\$0.18 as at the Latest Practicable Date.

We consider that the offer price of HK\$0.10 per Offer Share is not determined at a level which is sufficiently attractive to the Offer Shareholders, in view of the discounts as represented by the offer price of HK\$0.10 per Offer Share to each of the historical traded Share prices as referred to above.

### *4.2 With reference to the historical trading volume of the Shares in the market*

We have reviewed the historical average daily traded volumes of the Shares in the market during (a) the period of 12 months up to and including the date of announcement of the Open Offer and the possible Cash Offer on 22 October 2003; (b) the period commencing from 23 October 2003 (being the day immediately following the date of the announcement of the Open Offer and the possible Cash Offer) up to and including the date of completion of the Open Offer, being 18 December 2003; and (c) the period commencing from 19 December 2003 (being the day immediately following the date of

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completion of the Open Offer) up to and including the Latest Practicable Date. The relevant statistics are set out below:

Month	Average number of Shares traded daily	As a percentage of the Company's issued share capital as at the Latest Practicable Date %	As a percentage of the Company's public float (Note 1) as at the Latest Practicable Date %
<b>(a) The period of 12 months up to and including the date of announcement of the Open Offer and the possible Cash Offer on 22 October 2003</b>			
<b>2002</b>			
October	25,000	0.00%	0.01%
November	104,762	0.01%	0.02%
December	164,000	0.01%	0.03%
<b>2003</b>			
January	310,952	0.02%	0.05%
February	333,684	0.02%	0.05%
March	168,571	0.01%	0.03%
April	156,000	0.01%	0.03%
May	96,500	0.01%	0.02%
June	106,500	0.01%	0.02%
July	35,955	0.00%	0.01%
August	59,048	0.00%	0.01%
September	382,857	0.02%	0.06%
1 October to 22 October	739,098	0.04%	0.12%
<b>Average</b>	<b>206,379</b>	<b>0.01%</b>	<b>0.03%</b>

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Month	Average number of Shares traded daily	As a percentage of the Company's issued share capital as at the Latest Practicable Date %	As a percentage of the Company's public float (Note 1) as at the Latest Practicable Date %
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*(b) The period commencing from 23 October 2003 up to and including the date of completion of the Open Offer on 18 December 2003*

**2003**

23 October to 31 October	2,500,143	0.15%	0.40%
November	2,102,324	0.13%	0.34%
1 December to 18 December	1,021,036	0.06%	0.16%
<b>Average</b>	<b>1,874,501</b>	<b>0.11%</b>	<b>0.30%</b>

*(c) The period commencing from 19 December 2003 up to and including the Latest Practicable Date*

19 December 2003 up to and including the Latest Practicable Date	1,717,500	0.10	0.28
<b>Average during the periods covered by (a), (b) and (c)</b>	<b>589,643</b>	<b>0.04%</b>	<b>0.09%</b>

*Note 1: Based on an aggregate of 621,739,857 Shares, being the shareholdings in the Company held by Shareholders other than Allied Luck, Ace Solomon, Canasia and Sparkle Power and their respective associates and concert parties.*

Based on the foregoing statistics, we consider that the Shares have historically traded at extremely low levels of liquidity in the market, which represents an average daily traded volume of between approximately 0.01% and 0.11% of the Company's issued share capital as at the Latest Practicable Date or between approximately 0.03% and 0.30% of the Company's public float as at the Latest Practicable Date. The average daily traded volume of the Shares in the market during the period from 1 October 2002 up to and including the Latest Practicable Date is 589,643 Shares, which represents approximately 0.04% of the

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## LETTER FROM CHATERON

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Company's issued share capital and 0.09% of the Company's public float as at the Latest Practicable Date. In this regard, the Cash Offer provides the Offer Shareholders with an exit mechanism to realize their holdings of the Offer Shares, under certainty, at an offer price of HK\$0.10 per Offer Share.

***4.3 With reference to the market statistics of other companies listed on the Stock Exchange which are predominantly engaged in property investments in Hong Kong and the PRC***

As referred to in the statement of proforma adjusted unaudited consolidated net tangible asset value of the Company as set out in Appendix III to the Offer Document, the Company's proforma adjusted unaudited consolidated net tangible asset value is approximately HK\$0.17 per Share after the completion of the Open Offer as at the Latest Practicable Date. The offer price of HK\$0.10 per Offer Share represents a discount of approximately 41.2% to the Company's proforma adjusted unaudited consolidated net tangible asset value of approximately HK\$0.17 per Share after completion of the Open Offer as at the Latest Practicable Date.

Furthermore, as referred to in the paragraph headed "Business review and prospects of the Group" above, we noted that the Group is principally engaged in property investments in Hong Kong and, if the Acquisition is completed and be proceeded with, the PRC. In this regard, we have identified those listed companies on the Stock Exchange which are also predominantly engaged in property investments in Hong Kong and the PRC (with the net book value of investment properties representing a weighting exceeding 50%

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of the total net book value of the Company's property portfolio) (the “**Comparable Companies**”), and we noted their relevant market statistics as at the Latest Practicable Date as follows:

	Percentage of the net book value of investment properties as a weighting to the total net book value of the company's property portfolio	Reported rental income derived from investment properties(A) (HK\$'million) (Note 2)	Reported net book value of investment properties(B) (HK\$'million) (Note 2)	Historical rental yield from investment property interests (A)/(B) (%) (Note 2)	Market capitalization as at the Latest Practicable Date (HK\$'million) (Note 2)	Share price as at the Latest Practicable Date (HK\$) (Note 2)	(Discount) of share price as at the Latest Practicable Date to the underlying net asset value per share (HK\$) (Note 2)	Average dividend per share (HK\$) (Note 7)	Average dividend yield (%) (Note 8)	
<i>Companies which are predominantly engaged in property investment in Hong Kong</i>										
Tai Sang Land Development Limited	99%	172	1,835	9.4%	555	1.93	6 (67.8)	0.161	8.34%	
Tern Properties Company Limited	82%	28	595	4.7%	477	1.55	2.36 (34.3)	0.026	1.68%	
Cosmopolitan International Holdings Limited	100%	21	124	16.9%	101	0.19	0.238 (20.2)	0.1	52.6%	
<i>Companies which are predominantly engaged in property investment in PRC</i>										
Tian An China Investments Limited	56%	12.8	319	4.0%	1,411	0.18	0.5 (64.0)	0	0	
Henderson China Holdings Limited	99.5%	80.8	3,108	2.6%	1,937	3.9	15.15 (74.3)	0.10	2.56%	
Beijing North Star Company Limited	77%	46.9	572	8.2%	2,782	1.49	2.38 (37.4)	0.02	1.34%	
Shenzhen Investment Limited	75%	216.7	2,084	10.4%	2,689	1.11	1.34 (17.2)	0.06	5.41%	
<b>Average</b>	<b>84%</b>			<b>8.0%</b>			<b>(45.0)</b>		<b>10.3%</b>	
<b>Company</b>	<b>100%</b>	<b>25.8</b>	<b>350.8</b>	<b>7.4%</b>	<b>165.7</b> (Note 4)	<b>0.10</b> (Note 5)	<b>0.17</b> (Note 6)	<b>41.2</b>	<b>nil</b>	<b>nil</b>

Notes:

2. As disclosed in the latest unaudited interim accounts which were last published and reported on by these companies.
3. Being annualized figures for the full financial year, based on the unaudited rental income for the latest interim six month period as last reported on by these companies.
4. Based on an aggregate of 1,657.4 million Shares in issue as at the Latest Practicable Date as multiplied by the offer price of HK\$0.10 per Offer Share under the Cash Offer.
5. Being the offer price of HK\$0.10 per Offer Share under the Cash Offer.
6. Being the Company's proforma adjusted unaudited consolidated net tangible asset value after completion of the Open Offer as at the Latest Practicable Date, as referred to in Appendix III to the Offer Document.
7. Based on the Comparable Company's dividend history during the past three financial years and the last reported interim six month period.
8. Calculated based on the closing share price as at the Latest Practicable Date.



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We consider that investment appraisals for property investment and development companies are normally evaluated on the basis of their net asset values rather than their earnings power and therefore we do not consider the earnings basis to be a key factor in evaluating the offer price of HK\$0.10 per Offer Share under the Cash Offer. Therefore, we consider that it would be appropriate for us to give regard to the Company's net asset base for the purpose of evaluating the offer price of HK\$0.10 per Offer Share under the Cash Offer.

The discount of approximately 41.2% as represented by the offer price of HK\$0.10 per Offer Share to the Company's proforma adjusted unaudited consolidated net tangible asset value of approximately HK\$0.17 per Share after completion of the Open Offer as at the Latest Practicable Date, as referred to above, is of a smaller magnitude than the corresponding discount of approximately 45% as demonstrated by the Comparable Companies based on their closing share prices as at the Latest Practicable Date. Therefore, we consider that the offer price of HK\$0.10 per Offer Share is fair and reasonable with reference to the Comparable Companies' market statistics relating to pricing and net asset base.

#### ***4.4 With reference to the Company's dividend history***

We noted that the Company did not declare and report any dividend during any of the past five financial years ended 31 March 2003, or during the period of six months ended 30 September 2003. Therefore, the Company does not generate any dividend yield, which is contrary to the average dividend yield of approximately 10.3% as demonstrated by the Comparable Companies based on their dividend history during the past three financial years and the last reported interim six month period. Accordingly, we consider that the Offer Shareholders would not forgo the opportunity of any dividend entitlement as a result of accepting the Cash Offer for a cash consideration as represented by the offer price of HK\$0.10 per Offer Share.

#### **5. The Offerors' intention in relation to the Company after the close of the Cash Offer**

As referred to in the letter from Goldbond Capital as set out on pages 13 to 21 of the Offer Document, each of the Offerors (i) has no plans to inject any of its respective assets into the Company and/or to redeploy any fixed assets of the Company; (ii) does not expect that there will be any material changes to the continued employment of the Group's employees as a result of the Cash Offer; and (iii) has no intention to appoint any new directors to the Board or expects that any existing Director will resign from the Board following the close of the Cash Offer.

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Therefore, we consider that the Cash Offer is a technical general offer made by the Offerors in compliance with the requirements of the Takeovers Code. This means that the Offer Shareholders should evaluate their acceptances to the Cash Offer (or otherwise) solely based on the terms of the Cash Offer, rather than the Offer Shareholders' expectations of any possible impacts on their interests which may otherwise arise from a change in the Group's financial position attributable to, inter alia, the injection of assets into the Company and/or redeployment of the fixed assets of the Company by virtue of the Cash Offer.

### RECOMMENDATION

Having taken into consideration the principal factors and reasons referred to above, in particular that:

- the Group's existing revenue source is heavily reliant on its investment property interests, which we have however evaluated to be unattractive in terms of their prospects in the long term;
- based on our evaluation that the Company has a maximum aggregate contribution of approximately RMB420 million (equivalent to approximately HK\$396 million) towards the required investments under Phase I and Phase II of the World Trade and Exhibition Centre (Nanjing) development project, which the Company has agreed to invest for a consideration of HK\$101 million by way of the Acquisition prior to its completion, there exists the possibility of fund raising exercises by the Company during the course of time;
- Gobi Fund, Inc., in which the Company has agreed to acquire an 8% interest, is a venture capital fund which focuses on early stage investments in the PRC's digital media sector. There is no underlying track record in the investment performances of Gobi Fund, Inc. or any pre-determined allocation regarding the usage of funds by Gobi Fund, Inc. between the various industries of the PRC's digital media sector, which enable us to evaluate the magnitude of its financial returns to the Group during the investment period of around five years which is essentially a medium to long term horizon. Furthermore, according to the subscription agreement between the Company and Gobi Fund, Inc., no guaranteed return will be provided by Gobi Fund, Inc. to its shareholders, including the Company;
- in view of (i) the uncertainties regarding the capital requirements from the Group and the financial returns to the Group in relation to Phase I and Phase II of the World Trade and Exhibition Centre (Nanjing) development project; and (ii) the uncertain factors underlying the financial returns to the Group from its investment in Gobi Fund, Inc., we consider that it would be in the interests of the Shareholders (including the Offer Shareholders) to realize their holdings of the Shares. The Cash

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Offer provides an exit mechanism whereupon the Offer Shareholders are able to realize their holdings of the Shares, under certainty, by accepting the Cash Offer. Therefore, we consider that it is fair and reasonable and in the interests of the Offer Shareholders to accept the Cash Offer;

- given the conversion price of each Offer Preference Share, being HK\$1.00 per Share, is higher than the offer price of HK\$0.10 per Offer Share under the Cash Offer, we consider that there is no “see-through” price for each Offer Preference Share which may constitute an appropriate basis for determining the minimum offer price for each Offer Preference Share. Therefore, we consider that a nominal offer price of HK\$0.0001 in cash for each Offer Preference Share surrendered to be fair and reasonable;
- the Shares have historically traded at extremely low levels of liquidity in the market during the period commencing from 12 months prior to the date of announcement of the Open Offer and the possible Cash Offer on 22 October 2003 up to and including the Latest Practicable Date, with an average daily traded volume representing between approximately 0.01% and 0.11% of the Company’s issued share capital as at the Latest Practicable Date or between approximately 0.03% and 0.30% of the Company’s public float as at the Latest Practicable Date. The average daily traded volume of the Shares in the market during the period from 1 October 2002 up to and including the Latest Practicable Date is 589,643 Shares, which represents approximately 0.04% of the Company’s issued share capital and 0.09% of the Company’s public float as at the Latest Practicable Date. In this regard, the Cash Offer provides the Offer Shareholders with an exit mechanism to realize their holdings of the Offer Shares, under certainty, at an offer price of HK\$0.10 per Offer Share;
- the offer price of HK\$0.10 per Offer Share represents a discount of approximately 41.2% to the Company’s proforma adjusted unaudited consolidated net tangible asset value of approximately HK\$0.17 per Share after completion of the Open Offer as at the Latest Practicable Date, which is of a smaller magnitude than the corresponding discount of approximately 45.0% as demonstrated by the Comparable Companies based on their closing share prices as at the Latest Practicable Date;
- given the Company did not declare and report any dividend during any of the past five financial years ended 31 March 2003 or during the period of six months ended 30 September 2003, the Offer Shareholders would not forgo the opportunity of any dividend entitlement as a result of accepting the Cash Offer; and

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- the Cash Offer is a technical general offer made by the Offerors in compliance with the requirements of the Takeovers Code and the Offerors have confirmed that there will not be any changes to the Group by virtue of the Cash Offer. Therefore, we consider that the Offer Shareholders should evaluate their acceptances to the Cash Offer (or otherwise) solely based on the terms of the Cash Offer,

we are of the opinion that the terms of the Cash Offer are fair and reasonable and we would therefore advise the Offer Shareholders to accept the Cash Offer.

On the other hand, we noted that the offer price of HK\$0.10 per Offer Share represents a discount of approximately between 44.4% and 46.8% to the historical traded Share prices during the period commencing from 19 December 2003, being the business day immediately following the date of completion of the Open Offer, up to and including the Latest Practicable Date. In this regard, we consider that among the principal factors and reasons considered by us as referred to above, the Offer Shareholders should particularly note that (i) the Shares had historically traded at an extremely low level of liquidity in the market and therefore the Cash Offer provides the Offer Shareholders with an exit mechanism to realize their holdings of the Offer Shares, under certainty, at an offer price of HK\$0.10 per Offer Share; and (ii) the offer price of HK\$0.10 per Offer Share represents a smaller discount of approximately 41.2% to the Company's proforma adjusted unaudited consolidated net tangible asset value per Share after the Open Offer as at the Latest Practicable Date when compared with the corresponding average discount of about 45.0% as demonstrated by the Comparable Companies. Therefore, on balance, we would advise that insofar as their holdings in the Offer Shares are concerned, it would be in the interests of the Offer Shareholders to accept the Cash Offer and receive a cash consideration as represented by the offer price of HK\$0.10 per Offer Share.

Therefore, based on the foregoing, we would advise the Independent Board Committee to advise the Offer Shareholders to accept the Cash Offer.

Yours faithfully,  
For and on behalf of  
**Chateron Corporate Finance Limited**  
**Christopher Wong**  
*Director*

**FURTHER PROCEDURES FOR ACCEPTANCE**

(a) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title in respect of your Shares is/are in the name of a nominee company or some name other than your own, and you wish to accept the Cash Offer, you must either:

(i) lodge your Share certificate(s) and/or transfer receipts and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Cash Offer on your behalf and requesting it to deliver the relevant form(s) of acceptance and transfer duly completed together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or

(ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and send the relevant form(s) of acceptance and transfer duly completed together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or

(iii) if your Shares have been lodged with your broker/custodian bank through CCASS, instruct your broker/custodian bank to authorise HKSCC Nominees Limited to accept the Cash Offer on your behalf on or before the deadline set out by HKSCC Nominees Limited, in the case, on 13 January 2004 which is one business day before the latest date on which acceptances of the Cash Offer must be received by the Registrar. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your broker/custodian bank for the timing on processing of your instruction, and submit your instruction to your broker/custodian bank as required by them; or

if your Shares have been lodged with your Investor Participant Account with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System not later than one business day before the latest date on which acceptances of the Share Offer must be received by the Registrar, which is 13 January 2004 in this case.

(b) If the Share certificate(s) and/or transfer receipts and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost and you wish to accept the Cash Offer, the relevant form(s) of acceptance and transfer should nevertheless be completed and delivered to the Registrar together with a letter stating that you have lost one or more of your Share certificate(s) and/or transfer receipts and/or other document(s) of title or that it/they is/are not readily available. If you find such document(s) or if it/they become

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**APPENDIX I      CONDITIONS AND FURTHER TERMS OF THE CASH OFFER**

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available, the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title should be forwarded to the Registrar as soon as possible thereafter. If you have lost your Share certificate(s), you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.

- (c) If you have lodged (a) transfer(s) of any of your Shares for registration in your name and have not yet received your Share certificate(s), and you wish to accept the Cash Offer in respect of your Shares, you should nevertheless complete the relevant form(s) of acceptance and transfer and deliver it/them to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable authority to Goldbond Capital, Ace Solomon and/or Allied Luck or their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant Share certificate(s) when issued and to deliver such certificate(s) to the Registrar as if it was/they were delivered to the Registrar with the form(s) of acceptance and transfer.
  
- (d) An acceptance may not be counted towards fulfilling an acceptance condition unless:-
  - (1) the acceptance(s) together with the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title in all respects satisfactory to Ace Solomon and Allied Luck (and/or any indemnity or indemnities as may be required by Ace Solomon, Allied Luck and Goldbond Capital in respect thereof) on or before 4:00 p.m. on the later of 14 January 2004.
  
  - (2) the acceptance form is duly completed and is:-
    - (i) accompanied by Share certificate(s) in respect of the relevant Share(s) and, if the Share certificate(s) is/are not in your name, such offer documents (e.g. a duly stamped transfer of the relevant Share(s) in blank or in your favour executed by the registered holder) in order to establish your right to become the registered holder of the relevant Share(s); or
  
    - (ii) from a registered holder or his/her personal representatives (but only up to the amount of the registered holding and only to the extent that the acceptance relates to Share(s) which are not taken into account under another subparagraph of this paragraph (2)); or
  
    - (iii) certified by the Registrar or the company secretary of the Company, as the case may be, or the Stock Exchange.

If the acceptance form is executed by a person other than the registered holder, appropriate evidence of authority (e.g. grant of probate or certified copy of a power of attorney) must be produced.

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**APPENDIX I      CONDITIONS AND FURTHER TERMS OF THE CASH OFFER**

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- (e) No acknowledgment of receipt of any form(s) of acceptance, Share and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.
- (f) The address of the Registrar is at Rooms 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

**REVISIONS AND ACCEPTANCE PERIOD**

Ace Solomon and Allied Luck do not intend to extend the Cash Offer but they reserve the right to do so in accordance with the relevant provisions of the Takeovers Code. Unless the Cash Offer have previously been extended, all acceptances must be received by 4:00 p.m. on Wednesday, 14 January 2004 and the Cash Offer will close on Wednesday, 14 January 2004.

Ace Solomon and Allied Luck do not intend to revise the terms of the Cash Offer. If in the course of the Cash Offer, Ace Solomon and Allied Luck revise their terms, all the Offer Shareholders, whether or not they have already accepted the Cash Offer, will be entitled to the revised terms. A revised offer must be kept open for at least 14 days following the date on which the revised offer document is posted.

**ANNOUNCEMENTS**

- (a) By 6:00 p.m. on Wednesday, 14 January 2004 which is the closing day of the Cash Offer (or such later time and/or date as the Executive agrees), Ace Solomon and Allied Luck must inform the Executive and the Stock Exchange of its intention in relation to the revision, extension or expiry of the Cash Offer. Ace Solomon and Allied Luck must publish a teletext announcement through the Stock Exchange by 7:00 p.m. on the closing day stating whether the Cash Offer has been revised, extended, or has expired. Such announcement must be republished in accordance with the requirements set out in item (c) below on the next business day. The announcement must state (i) the total number of acceptances of the Cash Offer has been received, (ii) the total number of Shares held, controlled or directed by Ace Solomon, Allied Luck or parties acting in concert with them before the offer period, and (iii) the number of Shares acquired or agreed to be acquired during the offer period by Ace Solomon, Allied Luck or parties acting in concert with them. The announcement must also specify the percentages of the issued share capital of the Company and voting rights of the Company represented by these numbers of Shares.
- (b) In computing the number of Shares represented by acceptances, under the Cash Offer, there may be included or excluded for announcement purposes acceptances which are not in all respects in order or that are subject to verification.

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**APPENDIX I      CONDITIONS AND FURTHER TERMS OF THE CASH OFFER**

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- (c) As required under the Takeovers Code and the Listing Rules, any announcement in relation to the Cash Offer, in respect of which the Executive and the Stock Exchange have confirmed that they have no further comments thereon, must be published as a paid announcement in at least one leading English language newspaper and one leading Chinese language newspaper being in each case a newspaper which is published daily and circulated generally in Hong Kong.

**RIGHT OF WITHDRAWAL**

As the Cash Offer is unconditional, acceptances by the Shareholders under the Cash Offer shall be irrevocable and cannot be withdrawn.

**GENERAL**

- (a) All communications, notices, forms of acceptance, Share certificates, transfer receipts, other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to be delivered by or sent to or from the Offer Shareholders will be delivered by or sent to or from them, or their designated agents, at their own risk, and neither the Company, Ace Solomon, Allied Luck, Goldbond Capital, any of their respective agents nor the Registrar accepts any liability for any loss in postage or any other liabilities that may arise as a result thereof.
- (b) The provisions set out in the accompanying forms of acceptance form part of the terms of the Cash Offer.
- (c) The accidental omission to despatch this document and/or the form(s) of acceptance or any of them to any person to whom the Cash Offer is made will not invalidate the Cash Offer in any way.
- (d) The Cash Offer and all acceptances will be governed by and construed in accordance with the Laws of Hong Kong.
- (e) Due execution of the form of acceptance and transfer will constitute an authority to any directors of Ace Solomon, Allied Luck and Goldbond Capital or such person or persons as any of them may direct to complete and execute any document on behalf of the person accepting the Cash Offer and to do any other act that may be necessary or expedient for the purposes of vesting in Ace Solomon, Allied Luck or such person or persons as it may direct the Shares in respect of which such person has accepted the Cash Offer.



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**APPENDIX I      CONDITIONS AND FURTHER TERMS OF THE CASH OFFER**

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- (f) Acceptance of the Cash Offer by any person or persons will be deemed to constitute a warranty by such person or persons to Ace Solomon and Allied Luck that the Shares acquired under the Cash Offer is sold by any such person or persons free from all third party rights, liens, claims, charges, equities and encumbrances and together with all rights attaching thereto including the rights to receive all future dividends or other distributions declared, paid or made on or after the date of the acceptance of the Cash Offer.
- (g) Seller's ad valorem stamp duty at the rate of 0.1% of the consideration (rounded up to the nearest HK\$1) arising in connection with acceptance of the Cash Offer, is payable by accepting Offer Shareholders and will be deducted from the consideration payable to the Offer Shareholders accepting the Cash Offer.
- (h) Ace Solomon and Allied Luck and parties acting in concert with them do not intend to exercise any right which may be available to it under the provisions of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) to acquire compulsorily any Shares not acquired under the Cash Offer after the Cash Offer has closed but reserve the right to do so.
- (i) References to the Cash Offer in this document and in the forms of acceptance shall include any extension and/or revision thereof.
- (j) The making of the Cash Offer to persons with a registered address in jurisdictions outside Hong Kong may be affected by the laws of the relevant jurisdictions. The Offer Shareholders who are citizens or residents or nationals of jurisdictions outside Hong Kong should inform themselves about and observe any applicable legal requirements. It is the responsibility of any such person who wishes to accept the Cash Offer to satisfy himself/herself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdiction.
- (k) The English text of this document and of the forms of acceptance shall prevail over the Chinese text for the purpose of interpretation.

*The following is the text of a letter, a summary of values and a valuation certificate, prepared by Chesterton Petty Limited, an independent property valuer, in connection with their valuation as at 30 September 2003 of the property interests of the Group for incorporation in this document.*



International Property Consultants

Chesterton Petty Ltd  
16/F CITIC Tower  
1 Tim Mei Avenue  
Central  
Hong Kong

24 December 2003

The Directors  
Goldbond Group Holdings Limited  
Unit 3902A, 39th Floor, Tower 1  
Lippo Centre  
89 Queensway  
Hong Kong

Dear Sirs

In accordance with your instructions for us to value various property interests held by Goldbond Group Holdings Limited (the “Company”) and its subsidiaries (together referred to as the “Group”), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the open market value of these property interests as at 30 September 2003.

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

- (a) a willing seller;
- (b) that, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of price and terms and for the completion of the sale;
- (c) that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation;

- (d) that no account is taken of any additional bid by a prospective purchaser with a special interest; and
- (e) that both parties to the transaction had acted knowledgeably, prudently and without compulsion”.

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

We have valued the property interests in Group I with reference to sales evidence as available in the market and where appropriate on the basis of capitalisation of the net income shown on schedules handed to us. We have allowed for outgoings and in appropriate cases made provisions for reversionary income potential.

The property interest in Group II has no commercial value mainly due to its short term nature, the prohibition against assignment and the lack of substantial profit rent.

We have not been provided with title documents relating to these property interests but have caused searches to be made at the Land Registry. We have not, however, searched the original documents to verify ownership or to ascertain the existence of any amendment which does not appear on the copies handed to us.

We have relied to a very considerable extent on information given by you and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, lettings, occupancies, floor areas and all other relevant matters. Dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us and are therefore only approximations.

We have inspected the exterior of the properties and where possible, we have also inspected the interior of the premises. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report that these properties are free from rot, infestation or any other structural defect. No tests were carried out to any of the services.

No allowance has been made in our valuation for any charge, mortgage or amount owing on these property interests nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that these property interests are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their value.

We enclose herewith our summary of values and valuation certificate.

Yours faithfully  
For and on behalf of  
**Chesterton Petty Limited**

**Charles CK Chan**  
**FRICS FHKIS MCIarb RPS(GP)**  
*Executive Director*

## SUMMARY OF VALUES

<b>Property</b>	<b>Open market value in existing state as at 30 September 2003</b>
<b>Group I – Properties owned by the Group</b>	
1. Various Shop Units on Basement, Ground, First, Second and Third Floors and the Exterior Walls of Golden Plaza, 745-747 Nathan Road, Mongkok, Kowloon	HK\$350,000,000
2. 5th Floor and Roof, 116 Shanghai Street, Kowloon	HK\$650,000
3. Western Car Parking Space No. 34 on Level 2, Greenwood Terrace, Sha Tin, New Territories	HK\$150,000
Sub-total	<u>HK\$350,800,000</u>
<b>Group II – Property leased by the Group</b>	
4. Unit 3902A on 39th Floor, Tower 1, Lippo Centre, 89 Queensway, Central, Hong Kong	<u>No commercial value</u>
Sub-total	No commercial value
Grand total	<u>HK\$350,800,000</u>



Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 30 September 2003
	Kowloon Inland Lot No. 2087 is held under a Government lease for a term of 75 years commencing from 2 May 1927 renewable for a further term of 75 years at an annual rent of HK\$82.		
	Kowloon Inland Lot No. 2169 is held under a Government lease for a term of 75 years commencing from 28 January 1929 renewable for a further term of 75 years at an annual rent of HK\$28.		

*Notes:*

- (1) The owner of the Upper Part of the Exterior Walls of the property is Metro Fair Investments Limited and the registered owner of the remainder of the property is Perfect Manor Limited, both companies being wholly-owned subsidiaries of the Group.
- (2) The property comprises the whole of the Basement (Shops B1 to B9), Shops G1A, G1B, G1C, G2, G2A, G3, G3A, G4, G5, G6, G7, G8, G9, G10, G11, G12, G13, G14, G15, G15A, G16, G16A, G17, G17A, G17B, G18, G18A, G19, G19A, G20, G21, G22, G23, G23A, G24, G24A, G25, G25A, G26, G26A, G27, G27A and G28 on the Ground Floor, Shops 101, 102, 103, 104, 107, 109, 110, 111, 112, 113, 114, 114A, 115, 116, 116A, 120, 121, 122, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 136A, 136B, 137, 137A, 138, 139, 140, 141 on the First Floor, Shops 201, 202, 203, 204, 205, 206, 207, 210, 211, 212, 213, 214, 214A, 215, 216, 216A, 217, 220, 221, 224, 225, 226, 227, 228, 229, 230, 231, 232, 233, 234, 236, 236A, 236B, 237, 237A, 239, 240 on the Second Floor and Shops 301, 302, 303, 305, 306, 307, 308, 309, 311, 312, 313, 314, 315, 316, 317, 319, 320, 322, 323, 324, 325, 328, 329, 330, 331, 333, 334, 335, 336, 336A, 337, 338 and 339 on the Third Floor and the Exterior Walls of the building.
- (3) The property is subject to a mortgage and a rent assignment both in favour of The Hongkong and Shanghai Banking Corporation Limited.
- (4) The Exterior Walls of the property are subject to a Building Order No. D2071/K/01 under s.26 of the Buildings Ordinance issued by the Building Authority.

Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 30 September 2003
2. 5th Floor and Roof, 116 Shanghai Street, Kowloon  1/6th equal and undivided share of and in Kowloon Inland Lot No. 6775	<p>“116 Shanghai Street” is a 6-storey tenement building completed in the 1960s.</p> <p>The property comprises a residential unit on the 5th Floor of the building with a saleable area of approximately 43.94 sq m (473 sq ft) and a roof with an area of approximately 30.19 sq m (325 sq ft).</p> <p>Kowloon Inland Lot No. 6775 is held under Conditions of Regrant No. 5546 for a term of 150 years commencing from 25 December 1876 at an annual rent of HK\$58.</p>	The property is vacant.	HK\$650,000

*Notes:*

- (1) The registered owner of the property is Genuine Glory Investments Limited, a wholly-owned subsidiary of the Group.
- (2) The property is subject to Order No. DBZ/U56/0003/01 (re: common areas and the exterior of the building) and Order No. DRZ/U56/0003/01 (re: common drains) issued by the Building Authority under s.26 and s.28 (3) of the Buildings Ordinance respectively.



Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 30 September 2003
3. Western Car Parking Space No. 34 on Level 2, Greenwood Terrace, Sha Tin, New Territories	Greenwood Terrace is a residential development of houses and apartments with ancillary carparking and club house facilities completed in 1987.	The property is vacant.	HK\$150,000
1/6,600th equal and undivided share of and in Sha Tin Town Lot No. 279	The property comprises a covered carparking space on Level 2 of the Western Carport within the development.		
	Sha Tin Town Lot No. 279 is held under New Grant No. 11926 for a term expiring on 27 June 1997 which had been extended, upon expiry, until 30 June 2047 at a revised annual rent at 3% of the rateable value for the time being of the lot.		

*Note:* The registered owner of the property is Genuine Glory Investments Limited, a wholly-owned subsidiary of the Group.

## Group II – Property leased by the Group

Property	Description and tenancy particulars	Particulars of occupancy	Open market value in existing state as at 30 September 2003
4. Unit 3902A on 39th Floor, Tower 1, Lippo Centre, 89 Queensway, Central, Hong Kong	<p>Lippo Centre is a commercial development comprising two office blocks over a 4-storey commercial podium. Tower 1 of the office blocks is a 42-storey building completed in 1987.</p> <p>The property comprises an office unit on the 39th Floor of Tower 1 of the development with saleable area of approximately 153.10 sq m (1,648 sq ft).</p> <p>The property is leased by the Group under a tenancy agreement for a term commencing from 1 July 2003 and expiring on 14 March 2004 at a monthly rent of HK\$33,280 exclusive of rates, management fee, air-conditioning charges and other outgoings.</p>	The property is occupied by the Group as an office.	No commercial value

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**APPENDIX III FINANCIAL INFORMATION RELATING TO THE GROUP**

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**1. SHARE CAPITAL**

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

**Ordinary Shares**

<i>Authorised:</i>		<i>HK\$</i>
<u>25,000,000,000</u>	Shares	<u>2,500,000,000</u>
<i>Issued and fully paid:</i>		<i>HK\$</i>
<u>1,657,440,000</u>	Shares	<u>165,744,000</u>

**Preference Shares**

<i>Authorised, issued and fully paid:</i>		<i>HK\$</i>
<u>68,400,000</u>	Preference Shares	<u>6,840,000</u>

Save for the new Shares issued under the Open Offer, being 1,325,952,000 ordinary Shares, no Shares have been issued since 31 March 2003, being the date to which the last audited consolidated financial statements of the Group are made up and up to the Latest Practicable Date. All the existing issued Shares are fully paid up and rank pari passu in all aspects including all rights as to dividends, voting and capital.

The Shares in issue are listed on the Stock Exchange. No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

Save for the Preference Shares, there were no outstanding securities, options, or warrants which were convertible into new Shares.

## APPENDIX III FINANCIAL INFORMATION RELATING TO THE GROUP

### 2. FINANCIAL INFORMATION

#### A. SUMMARY OF FINANCIAL INFORMATION

The following is a summary of the audited consolidated results of the Group for each of the three years ended 31 March 2003 and the audited consolidated balance sheets of the Group as at 31 March 2001, 31 March 2002 and 31 March 2003. The information is extracted from the audited consolidated financial statements of the Group:

#### Results

	Year ended 31 March		
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
<b>Turnover</b>	23,175	23,051	23,203
Direct outgoings	(322)	(1,772)	(3,420)
	22,853	21,279	19,783
Other revenue	2,529	6,480	22,136
Other net loss	(2,272)	–	–
Administrative expenses	(5,644)	(9,445)	(17,295)
Other operating expenses	(2,668)	(1,106)	–
Gain on disposal of interest in associates	5,112	17,877	–
Provision for impairment in value of goodwill	–	(78,400)	–
Provision for losses on restructuring	–	–	(590,700)
Provision for impairment in value of other investments	(60,000)	–	–
Deficit on revaluation of investment properties	(15,080)	(70)	(25,000)
Loss on disposal of a property under redevelopment	–	–	(339,344)
Loss from operations	(55,170)	(43,385)	(930,420)
Finance costs	(15,792)	(31,743)	(94,138)
Share of loss of an associate	–	(3,837)	(99,811)
<b>Loss from ordinary activities before taxation</b>	(70,962)	(78,965)	(1,124,369)
Taxation	(1,000)	–	(18)
<b>Loss attributable to shareholders</b>	(71,962)	(78,965)	(1,124,387)
<b>Loss per share – Basic</b>	HK\$0.02	HK\$0.04	HK\$2.78

## APPENDIX III FINANCIAL INFORMATION RELATING TO THE GROUP

### Assets and liabilities

	Year ended 31 March		
	2003	2002	2001
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
TOTAL ASSETS	360,615	482,865	591,097
TOTAL LIABILITIES	225,124	355,790	698,701
	<u>135,491</u>	<u>127,075</u>	<u>(107,604)</u>

### B. AUDITED FINANCIAL INFORMATION OF THE GROUP

The following is a summary of the audited consolidated profit and loss account of the Group for each of the two years ended 31 March 2003, the audited consolidated balance sheet of the Group as at 31 March 2002 and 31 March 2003 and the audited consolidated cash flow statement for the years ended 31 March 2002 and 31 March 2003 together with the relevant notes thereto as extracted from the annual report of the Company for the year ended 31 March 2003.

#### CONSOLIDATED PROFIT AND LOSS ACCOUNT

*For the year ended 31 March 2003*

	<i>Note</i>	2003 <i>HK\$ '000</i>	2002 <i>HK\$ '000</i>
<b>Turnover</b>	2	23,175	23,051
Direct outgoings		(322)	(1,772)
		<u>22,853</u>	<u>21,279</u>
Other revenue	3	2,529	6,480
Other net loss	3	(2,272)	–
Administrative expenses		(5,644)	(9,445)
Other operating expenses		(2,668)	(1,106)
Gain on disposal of interest in associates		5,112	17,877
Provision for impairment in value of goodwill		–	(78,400)
Provision for impairment in value of other investments	13	(60,000)	–
Deficit on revaluation of investment properties	10	(15,080)	(70)
Loss from operations		(55,170)	(43,385)
Finance costs	4(a)	(15,792)	(31,743)
Share of loss of an associate		–	(3,837)
<b>Loss from ordinary activities before taxation</b>	4	(70,962)	(78,965)
Taxation	5(a)	(1,000)	–
<b>Loss attributable to shareholders</b>	8, 22	<u>(71,962)</u>	<u>(78,965)</u>
<b>Loss per share – Basic</b>	9	<u>HK\$0.02</u>	<u>HK\$0.04</u>

The notes on pages 67 to 90 form part of these financial statements.

## APPENDIX III FINANCIAL INFORMATION RELATING TO THE GROUP

### CONSOLIDATED BALANCE SHEET

At 31 March 2003

	<i>Note</i>	<b>2003</b> <i>HK\$'000</i>	<b>2002</b> <i>HK\$'000</i>
<b>Non-current assets</b>			
Fixed assets	10	336,146	350,730
Interest in an associate	12	–	–
Other investments	13	3,000	–
		<u>339,146</u>	<u>350,730</u>
<b>Current assets</b>			
Trading securities	14	2,840	–
Accounts receivable	15	4,061	3,306
Prepayments, deposits and other receivables		1,466	1,733
Cash and cash equivalents	16	13,102	127,096
		<u>21,469</u>	<u>132,135</u>
<b>Current liabilities</b>			
Interest-bearing bank loans and other borrowings	17	10,992	8,394
Amounts due to related companies	18	13,616	91,446
Other payables and accruals		17,654	20,761
Taxation	5(b)	950	–
		<u>43,212</u>	<u>120,601</u>
<b>Net current (liabilities)/assets</b>		<u>(21,743)</u>	<u>11,534</u>
<b>Total assets less current liabilities</b>		<u>317,403</u>	<u>362,264</u>
<b>Non-current liabilities</b>			
Interest-bearing bank loans and other borrowings	17	(181,912)	(175,189)
Convertible bonds	19	–	(60,000)
		<u>(181,912)</u>	<u>(235,189)</u>
		<u>135,491</u>	<u>127,075</u>

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**APPENDIX III FINANCIAL INFORMATION RELATING TO THE GROUP**

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		<b>2003</b>	<b>2002</b>
	<i>Note</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
<b>Capital and reserves</b>			
Share capital	21	999,720	479,320
Reserves	22	<u>(864,229)</u>	<u>(352,245)</u>
		<u>135,491</u>	<u>127,075</u>

The notes on pages 67 to 90 form part of these financial statements.

## APPENDIX III FINANCIAL INFORMATION RELATING TO THE GROUP

### BALANCE SHEET

At 31 March 2003

	<i>Note</i>	<b>2003</b> <i>HK\$'000</i>	<b>2002</b> <i>HK\$'000</i>
<b>Non-current assets</b>			
Fixed assets	10	346	–
Interest in subsidiaries	11	324,241	342,907
Other investments	13	3,000	–
		<u>327,587</u>	<u>342,907</u>
<b>Current assets</b>			
Interest in subsidiaries	11	10,992	8,394
Prepayments, deposits and other receivables		375	938
Cash and cash equivalents	16	10,603	121,471
		<u>21,970</u>	<u>130,803</u>
<b>Current liabilities</b>			
Interest-bearing bank loans and other borrowings	17	10,992	8,394
Amounts due to related companies	18	13,616	91,446
Other payables and accruals		7,471	11,318
		<u>32,079</u>	<u>111,158</u>
<b>Net current (liabilities)/assets</b>		<u>(10,109)</u>	<u>19,645</u>
<b>Total assets less current liabilities</b>		<u>317,478</u>	<u>362,552</u>
<b>Non-current liabilities</b>			
Interest-bearing bank loans and other borrowings	17	(181,912)	(175,189)
Convertible bonds	19	–	(60,000)
		<u>(181,912)</u>	<u>(235,189)</u>
		<u>135,566</u>	<u>127,363</u>



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**APPENDIX III FINANCIAL INFORMATION RELATING TO THE GROUP**

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		<b>2003</b>	<b>2002</b>
	<i>Note</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
<b>Capital and reserves</b>			
Share capital	21	999,720	479,320
Reserves	22	<u>(864,154)</u>	<u>(351,957)</u>
		<u>135,566</u>	<u>127,363</u>

The notes on pages 67 to 90 form part of these financial statements.

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**APPENDIX III FINANCIAL INFORMATION RELATING TO THE GROUP**

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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY***For the year ended 31 March 2003*

	<b>2003</b>	<b>2002</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Shareholders' equity at the beginning of the year	127,075	(107,604)
Surplus on revaluation of other investments	3,000	–
Exchange loss released upon disposal of an associate	–	84
Release of goodwill upon disposal of an associate	–	(14,124)
<b>Net gains/(losses) not recognised in the profit and loss account</b>	<b>3,000</b>	<b>(14,040)</b>
<b>Net loss for the year</b>	<b>(71,962)</b>	<b>(78,965)</b>
Movements in share capital and reserves		
– Issue of new ordinary shares under the Placement	60,000	73,700
– Issue of new ordinary shares under Rights Issue	460,400	86,120
– Issue of new preference shares	–	171,000
– Bonus issue	(441,984)	–
– Share issue expenses	(1,038)	(3,136)
<b>Net increase in shareholders' equity arising from capital transactions</b>	<b>77,378</b>	<b>327,684</b>
Shareholders' equity at the end of the year	135,491	127,075

The notes on pages 67 to 90 form part of these financial statements.

## APPENDIX III FINANCIAL INFORMATION RELATING TO THE GROUP

### CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2003

	<b>2003</b>	<b>2002</b>
<i>Note</i>	<i>HK\$ '000</i>	<i>restated HK\$ '000</i>
<b>Operating activities</b>		
Loss from ordinary activities before taxation	(70,962)	(78,965)
Adjustments for:		
– Interest income	(1,656)	(709)
– Depreciation	16	–
– Provision for impairment in value of other investments	60,000	–
– Deficit on revaluation of investment properties	15,080	70
– Finance costs	15,792	31,743
– Gain on disposal of interest in associates	(5,112)	(17,877)
– Net unrealised loss in respect of trading securities	2,272	–
– Provision for doubtful debts	2,612	1,106
– Provision for impairment in value of goodwill	–	78,400
– Share of loss of an associate	–	3,837
– Fixed assets written off	–	24
– Gain on disposal of other investments	–	(5,295)
	18,042	12,334
<b>Operating results before changes in working capital</b>	<b>18,042</b>	<b>12,334</b>
Decrease/(increase) in prepayments, deposits and other receivables	267	(1,337)
Increase in accounts receivable	(3,367)	(354)
(Decrease)/increase in other payables and accruals	(616)	1,501
Increase in amounts due to related companies	–	483
	14,326	12,627
<b>Cash generated from operations</b>	<b>14,326</b>	<b>12,627</b>
Hong Kong profits tax paid	(50)	(18)
	14,276	12,609
<b>Net cash from operating activities</b>	<b>14,276</b>	<b>12,609</b>
<b>Investing activities</b>		
Purchases of fixed assets	(512)	–
Proceeds from disposal of other investments	–	5,295
Interest received	1,656	709
Acquisition of an associate	–	(44,700)
	1,144	(38,696)
<b>Net cash from/(used in) investing activities</b>	<b>1,144</b>	<b>(38,696)</b>

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**APPENDIX III FINANCIAL INFORMATION RELATING TO THE GROUP**


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	<b>2003</b>	<b>2002</b>
		<i>restated</i>
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Financing activities</b>		
Gross proceeds from issue of shares	18,416	126,120
Share issue expenses	(1,038)	(3,136)
New bank loans	24,321	168,583
Repayment of promissory notes	(15,000)	(55,841)
Repayment of loan from a related company	(89,526)	–
Loans from related companies	11,696	85,038
Repayment of convertible bonds	(60,000)	–
Other borrowing costs paid	(18,283)	(36,954)
Issue of convertible bonds	–	60,000
Bank charges and refinancing charges	–	(3,239)
Repayment of other borrowings	–	(12,195)
Repayment of a bank loan	–	(177,012)
	<hr/>	<hr/>
<b>Net cash (used in)/from financing activities</b>	<b>(129,414)</b>	<b>151,364</b>
	<hr/>	<hr/>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(113,994)</b>	<b>125,277</b>
<b>Cash and cash equivalents at the beginning of the year</b> 16	<b>127,096</b>	<b>1,819</b>
	<hr/>	<hr/>
<b>Cash and cash equivalents at the end of the year</b>	<b>13,102</b>	<b>127,096</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Analysis of balance of cash and cash equivalents</b>		
Cash and bank balances	2,152	2,117
Non-pledged time deposits with original maturity of less than three months when acquired	10,950	124,979
	<hr/>	<hr/>
	<b>13,102</b>	<b>127,096</b>
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The notes on pages 67 to 90 form part of these financial statements.

**NOTES ON THE FINANCIAL STATEMENTS****1 SIGNIFICANT ACCOUNTING POLICIES****(a) Statement of compliance**

These financial statements have been prepared in accordance with all applicable Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). A summary of the significant accounting policies adopted by the Group is set out below.

**(b) Basis of preparation of the financial statements**

- (i) The measurement basis used in the preparation of the financial statements is historical cost modified by the revaluation of investment properties and the marking to market of certain investments in securities as explained in the accounting policies set out below.
- (ii) Notwithstanding the net current liabilities of the Group at 31 March 2003, the financial statements have been prepared on a going concern basis since the major shareholder has confirmed that it is its present intention to do its best to obtain financial resources in order to provide such financial assistance as is necessary to maintain the group as a going concern.

**(c) Subsidiaries**

A subsidiary, in accordance with the Hong Kong Companies Ordinance, is a company in which the Group, directly or indirectly, holds more than half of the issued share capital, or controls more than half the voting power, or controls the composition of the board of directors. Subsidiaries are considered to be controlled if the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

An investment in a controlled subsidiary is consolidated into the consolidated financial statements.

Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

In the Company’s balance sheet, an investment in a subsidiary is stated at cost less any impairment losses (see note 1(i)).

**(d) Associates**

An associate is a company in which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions that significantly impair its ability to transfer funds to the investor, in which case it is stated at fair value with changes in fair value recognised in the consolidated profit and loss account as they arise. The consolidated profit and loss account reflects the Group's share of the post acquisition results of the associates for the year, including any amortisation of positive or negative goodwill charged or credited during the year in accordance with note 1(e).

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the consolidated profit and loss account.

In the Company's balance sheet, its investments in associates are stated at cost less impairment losses (see note 1(i)), unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions that significantly impair its ability to transfer funds to the investor, in which case, it is stated at fair value with changes in fair value recognised in the profit and loss account as they arise.

**(e) Goodwill**

Positive goodwill arising on consolidation represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable assets and liabilities acquired. In respect of controlled subsidiaries:

- for acquisitions before 1 January 2001, positive goodwill is eliminated against reserves and is reduced by impairment losses (see note 1(i)); and
- for acquisitions on or after 1 January 2001, positive goodwill is amortised to the consolidated profit and loss account on a straight-line basis over its estimated useful life. Positive goodwill is stated in the consolidated balance sheet at cost less any accumulated amortisation and any impairment losses (see note 1(i)).

In respect of acquisitions of associates, positive goodwill is amortised to the consolidated profit and loss account on a straight-line basis over its estimated useful life. The cost of positive goodwill less any accumulated amortisation and any impairment losses (see note 1(i)) is included in the carrying amount of the interest in associates.

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## APPENDIX III FINANCIAL INFORMATION RELATING TO THE GROUP

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Negative goodwill arising on acquisitions of controlled subsidiaries and associates represents the excess of the Group's share of the fair value of the identifiable assets and liabilities acquired over the cost of the acquisition. Negative goodwill is accounted for as follows:

- for acquisitions before 1 January 2001, negative goodwill is credited to a capital reserve; and
- for acquisitions on or after 1 January 2001, to the extent that negative goodwill relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, it is recognised in the consolidated profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, is recognised in the consolidated profit and loss account over the remaining weighted average useful life of those non-monetary assets that are depreciable/amortisable. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the consolidated profit and loss account.

In respect of any negative goodwill not yet recognised in the consolidated profit and loss account:

- for controlled subsidiaries, such negative goodwill is shown in the consolidated balance sheet as a deduction from assets in the same balance sheet classification as positive goodwill; and
- for associates, such negative goodwill is included in the carrying amount of the interest in associates.

On disposal of a controlled subsidiary or an associate during the year, any attributable amount of purchased goodwill not previously amortised through the consolidated profit and loss account or which has previously been dealt with as a movement on group reserves is included in the calculation of the profit or loss on disposal.

### **(f) Other investments in securities**

The Group's and the Company's policies for investments in securities other than investments in subsidiaries and associates are as follows:

- (i) Trading securities are stated in the balance sheet at fair value. Changes in fair value are recognised in the profit and loss account as they arise.
- (ii) Other investments are stated in the balance sheet at fair value. Changes in fair value are recognised in the revaluation reserve until the investment is sold, collected, or otherwise disposed of, or until there is objective evidence that the investment is impaired, at which time the relevant cumulative gain or loss is transferred from the revaluation reserve to the profit and loss account.

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## APPENDIX III FINANCIAL INFORMATION RELATING TO THE GROUP

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- (iii) Transfers from the revaluation reserve to the profit and loss account as a result of impairments are reversed when the circumstances and events that led to the impairment cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.
- (iv) Profits or losses on disposal of investments in securities are determined as the difference between the estimated net disposal proceeds and the carrying amount of the investments and are accounted for in the profit and loss account as they arise.

**(g) Fixed assets**

- (i) Fixed assets are carried in the balance sheets on the following bases:
  - investment properties with an unexpired lease term of more than 20 years are stated in the balance sheet at their open market value which is assessed annually by external qualified valuers; and
  - furniture, fixtures and other fixed assets are stated in the balance sheet at cost less accumulated depreciation (see note 1(h)) and impairment losses (see note 1(i)).
- (ii) Changes arising on the revaluation of investment properties are generally dealt with in reserves. The only exceptions are as follows:
  - when a deficit arises on revaluation, it will be charged to the profit and loss account, if and to the extent that it exceeds the amount held in the reserve in respect of the portfolio of investment properties, immediately prior to the revaluation; and
  - when a surplus arises on revaluation, it will be credited to the profit and loss account, if and to the extent that a deficit on revaluation in respect of the portfolio of investment properties, had previously been charged to the profit and loss account.
- (iii) Subsequent expenditure relating to a fixed asset that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.
- (iv) Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the profit and loss account on the date of retirement or disposal. On disposal of an investment property, the related portion of surpluses or deficits previously taken to the investment properties revaluation reserve is also transferred to the profit and loss account for the year.



**(h) Amortisation and depreciation**

- (i) No depreciation is provided on investment properties with an unexpired lease term of over 20 years or on freehold land.
- (ii) Depreciation is calculated to write-off the cost of other fixed assets over their estimated useful lives on a straight-line basis as follows:

Furniture, fixtures and other fixed assets	3 to 5 years
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**(i) Impairment of assets**

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- fixed assets (other than investment properties carried at revalued amounts);
- investments in subsidiaries and associates (except for those accounted for at fair value under note 1(d)); and
- positive goodwill (whether taken initially to reserves or recognised as an asset).

If any such indication exists, the asset's recoverable amount is estimated. For goodwill that is amortised over 20 years from initial recognition, the recoverable amount is estimated at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

*(i) Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

*(ii) Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the profit and loss account in the year in which the reversals are recognised.

**(j) Cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

**(k) Employee benefits**

- (i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.
- (ii) Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance, are recognised as an expense in the profit and loss account as incurred.
- (iii) When the group grants employees options to acquire shares of the Company at nominal consideration, no employee benefit cost or obligation is recognised at the date of grant. When the options are exercised, equity is increased by the amount of the proceeds received on exercise of share options.
- (iv) Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

**(l) Deferred taxation**

Deferred taxation is provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which are expected with reasonable probability to crystallise in the foreseeable future.

Future deferred tax benefits are not recognised unless their realisation is assured beyond reasonable doubt.

**(m) Provisions and contingent liabilities**

Provisions are recognised for liabilities of uncertain timing or amount when the Company or Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

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

**(n) Revenue recognition**

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the profit and loss account as follows:

*(i) Rental income from operating leases*

Rental income receivable under operating leases is recognised in the profit and loss account in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives granted are recognised in the profit and loss account as an integral part of the aggregate net lease payments receivable.

*(ii) Dividends*

- Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.
- Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

*(iii) Interest income*

Interest income from bank deposits is accrued on a time-apportioned basis by reference to the principal outstanding and the rate applicable.

**(o) Borrowing costs**

Borrowing costs are expensed in the profit and loss account in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

**(p) Related parties**

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

**(q) Segment reporting**

The Group's operating results are almost entirely attributable to its property investment activities in Hong Kong. Accordingly, no segmental analysis is provided.

## APPENDIX III FINANCIAL INFORMATION RELATING TO THE GROUP

### 2 TURNOVER

The principal activity of the Group is property development and investment.

Turnover represents the gross rental income derived from the investment properties during the year.

### 3 OTHER REVENUE AND OTHER NET LOSS

	<b>2003</b>	<b>2002</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Other revenue</b>		
Interest income	1,656	709
Rentals receivable from other assets, other than those relating to investment properties	252	54
Gain on disposal of other investments	–	5,295
Others	621	422
	<u>2,529</u>	<u>6,480</u>
<b>Other net loss</b>		
Net unrealised loss in respect of trading securities	<u>(2,272)</u>	<u>–</u>

### 4 LOSS FROM ORDINARY ACTIVITIES BEFORE TAXATION

Loss from ordinary activities before taxation is arrived at after charging/(crediting):

	<b>2003</b>	<b>2002</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
(a) Finance costs:		
Interest on bank loans and other borrowings wholly repayable within five years	9,652	25,150
Interest on bank loans repayable beyond five years	3,140	3,354
Premium paid on redemption of convertible bonds	3,000	–
Refinancing charges	–	3,239
	<u>15,792</u>	<u>31,743</u>
(b) Staff costs (including directors' remuneration ( <i>note 6</i> )):		
– Wages and salaries	1,257	1,379
– Retirement costs	16	–
	<u>1,273</u>	<u>1,379</u>

## APPENDIX III FINANCIAL INFORMATION RELATING TO THE GROUP

	<b>2003</b>	<b>2002</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
(c) Other items:		
Provision for doubtful debts	2,612	1,106
Auditors' remuneration	390	400
Depreciation	16	–
Rentals receivable from investment properties		
less direct outgoings of HK\$322,000 (2002: HK\$1,772,000)	<u>(22,853)</u>	<u>(21,279)</u>

### 5 TAXATION

(a) Taxation in the consolidated profit and loss account represents:

	<b>2003</b>	<b>2002</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Provision for Hong Kong Profits Tax for the year	<u>1,000</u>	<u>–</u>

The provision for Hong Kong Profits Tax is calculated at 16% (2002: 16%) of the estimated assessable profits for the year.

The potential deferred tax liability attributable to accelerated depreciation allowances has not been provided in the financial statements as the timing differences are not likely to crystallise in the foreseeable future. The potential liability for unprovided deferred taxation for the year amounts to:

	<b>2003</b>	<b>2002</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation allowances in excess of related depreciation	<u>2,698</u>	<u>2,268</u>

The potential deferred tax asset which represents the tax effect of timing differences due to tax losses available to set off against future assessable profits has not been recognised in the financial statements as its realisation is not assured beyond reasonable doubt.

(b) Taxation in the balance sheet represents:

	<b>The Group</b>	
	<b>2003</b>	<b>2002</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Provision for Hong Kong Profits Tax for the year	1,000	–
Provisional Profits Tax paid	<u>(50)</u>	<u>–</u>
	<u>950</u>	<u>–</u>

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**APPENDIX III FINANCIAL INFORMATION RELATING TO THE GROUP**

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**6 DIRECTORS' REMUNERATION**

Directors' remuneration disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance is as follows:

	<b>2003</b>	<b>2002</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fees:		
– Executive	–	–
– Non-executive	–	–
– Independent non-executive	–	500
	<hr/>	<hr/>
	–	500
Salaries and other emoluments – executive	896	879
Retirement costs	16	–
	<hr/>	<hr/>
	912	1,379
	<hr/> <hr/>	<hr/> <hr/>

The remuneration of the Directors is within the following bands:

	<b>Number of directors</b>	
	<b>2003</b>	<b>2002</b>
HK\$Nil to HK\$1,000,000	7	4
HK\$1,000,001 to HK\$1,500,000	–	–
	<hr/>	<hr/>
	7	4
	<hr/> <hr/>	<hr/> <hr/>

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2002: none).

In addition to the above remuneration, 47,180,000 share options granted to the directors in respect of their services to the Group were cancelled. No value in respect of the share options granted during the year has been charged to the profit and loss account.

**7 INDIVIDUALS WITH HIGHEST EMOLUMENTS**

During the year, the five highest paid employees are all Directors, details of whose remuneration are disclosed in note 6. In the prior year, remuneration was paid to four employees only and all of whom were Directors and fell within the band of HK\$Nil to HK\$1,000,000.

**8 LOSS ATTRIBUTABLE TO SHAREHOLDERS**

The net loss attributable to shareholders dealt with in the financial statements of the Company is HK\$72,175,000 (2002: HK\$79,339,000).

## APPENDIX III FINANCIAL INFORMATION RELATING TO THE GROUP

### 9 LOSS PER SHARE

The calculation of the basic loss per share is based on the loss attributable to shareholders for the year of HK\$71,962,000 (2002: HK\$78,965,000), and the weighted average of 3,143,494,000 (2002: 2,159,444,000) ordinary shares in issue during the year, after taking into account of the effect of the Open Offer during the year. The weighted average number of ordinary shares in issue for the year ended 31 March 2002 was restated because there was a bonus element resulting from the Open Offer during the year.

The exercise of the subscription rights conferred by the redeemable convertible preference shares and share options would not have any dilutive effect on the loss per share for the years ended 31 March 2002 and 2003.

### 10 FIXED ASSETS

(a) The Group

	<b>Furniture, fixtures and other fixed assets</b>	<b>Investment properties</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Cost or valuation:</b>			
At 1 April 2002	–	350,730	350,730
Additions	362	150	512
Deficit on revaluation	–	(15,080)	(15,080)
	362	335,800	336,162
At 31 March 2003	362	335,800	336,162
<b>Representing:</b>			
Cost	362	–	362
Valuation – 2003	–	335,800	335,800
	362	335,800	336,162
<b>Accumulated depreciation:</b>			
At 1 April 2002	–	–	–
Charge for the year	16	–	16
	16	–	16
At 31 March 2003	16	–	16
<b>Net book value:</b>			
At 31 March 2003	346	335,800	336,146
At 31 March 2002	–	350,730	350,730

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**APPENDIX III FINANCIAL INFORMATION RELATING TO THE GROUP**

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(b) The Company

	<b>Furniture, fixtures and other fixed assets</b> <i>HK\$'000</i>
<b>Cost:</b>	
Additions and at 31 March 2003	362 -----
<b>Accumulated depreciation:</b>	
Charge for the year and at 31 March 2003	16 -----
<b>Net book value:</b>	
At 31 March 2003	346 =====
At 31 March 2002	— =====

(c) An analysis of the net book value of properties is as follows:

The Group's investment properties are situated in Hong Kong and are held under the following lease terms:

	<b>2003</b> <i>HK\$'000</i>	<b>2002</b> <i>HK\$'000</i>
Long-term leases	335,000	350,000
Medium-term leases	800	730
	-----	-----
	<u>335,800</u>	<u>350,730</u>

- (d) Investment properties of the Group situated in Hong Kong were revalued by Chesterton Petty Limited, independent professional qualified valuers, who have among their Members of Hong Kong Institute of Surveyors on an open market value basis at 31 March 2003.
- (e) Certain of the above investment properties with an aggregate carrying value of HK\$335,000,000 (2002: HK\$350,000,000) have been pledged to a bank for bank loans (note 17).
- (f) The Group leases out investment properties under operating lease arrangements, with leases negotiated for an initial period of one to four years. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. None of the leases includes contingent rentals.



## APPENDIX III FINANCIAL INFORMATION RELATING TO THE GROUP

At 31 March 2003, the Group had total future minimum lease payments under non-cancellable operating leases receivable as follows:

	<b>The Group</b>	
	<b>2003</b>	<b>2002</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	18,953	17,678
In the second to fifth years, inclusive	8,388	9,446
	27,341	27,124
	27,341	27,124

### 11 INTEREST IN SUBSIDIARIES

	<b>The Company</b>	
	<b>2003</b>	<b>2002</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	197,075	197,075
Amounts due from subsidiaries	301,750	249,500
	498,825	446,575
Less: impairment loss	(163,592)	(95,274)
	335,233	351,301
Portion classified as current assets	(10,992)	(8,394)
	324,241	342,907
	324,241	342,907

The amounts due from subsidiaries are unsecured, interest-free and not repayable within twelve months following the balance sheet date, except for:

- (i) an amount of HK\$162,258,000 (2002: HK\$170,228,000) due from a subsidiary at 31 March 2003, which bears interest at prime rate plus 1% (2002: 1%) per annum; and
- (ii) an amount of HK\$10,992,000 (2002: HK\$8,394,000) due from a subsidiary, which is repayable within one year and is therefore classified as a current asset in the Company's balance sheet.

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

All of these are controlled subsidiaries as defined under note 1(c) and have been consolidated into the consolidated financial statements.

## APPENDIX III FINANCIAL INFORMATION RELATING TO THE GROUP

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the company	a subsidiary	Principal activities
Genuine Glory Investments Limited	Hong Kong	HK\$2	100	–	Property investment
Master Profit Limited	British Virgin Islands/ Hong Kong	US\$1	100	–	Investment holding
Perfect Manor Limited	Hong Kong	HK\$2	–	100	Property investment
Max Cyber Development Inc.	British Virgin Islands/ Hong Kong	US\$1	100	–	Investment holding
Metro Fair Investment Limited	Hong Kong	HK\$2	–	100	Property investment
Can Do Enterprises Limited	Hong Kong	HK\$2	100	–	Investment holding

### 12 INTEREST IN AN ASSOCIATE

	The Group		The Company	
	2003	2002	2003	2002
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Share of net assets	–	–	–	–
Goodwill on acquisition	–	78,400	–	–
	–	78,400	–	–
Less: impairment loss	–	(78,400)	–	–
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

On 12 August 2002, Max Cyber Development Inc., a wholly-owned subsidiary of the Company entered into a sale and purchase agreement with an independent third party for the disposal of its 49% equity interests in Masterful Resources Limited (“Masterful”) at a total consideration of HK\$56,800,000 (the “Masterful Disposal”). The consideration for the Masterful Disposal was satisfied by the issue of 284,000,000 new ordinary shares of eCyberChina Holdings Limited (“eCyberChina”) at par of HK\$0.20 each. On the transaction date, the market value of the aforementioned eCyberChina shares amounted to HK\$5,112,000 and was recognised as a gain on disposal of interest in associates. The eCyberChina shares have been classified as trading securities (note 14). The Masterful Disposal was completed on 5 September 2002.

## APPENDIX III FINANCIAL INFORMATION RELATING TO THE GROUP

### 13 OTHER INVESTMENTS

	The Group		The Company	
	2003	2002	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted equity securities	60,000	–	–	–
Less: impairment loss	(60,000)	–	–	–
	–	–	–	–
Others	3,000	–	3,000	–
	<u>3,000</u>	<u>–</u>	<u>3,000</u>	<u>–</u>

The Group's unlisted equity securities represent a 30% equity interest in Power Insight Investments Limited ("Power Insight"), a company engaged in the supply and trading of liquid petroleum gas in bulk and in cylinders, the provision of piped gas and the sale of LPG household appliances in the PRC. In the opinion of the directors, the Group is not in a position to exercise significant influence over the financial and operating policies of Power Insight and accordingly, these equity securities have not been equity accounted for.

Others represents three club debentures held, which were revalued by the Directors during the year taking into account the prevailing saleable value of the debentures.

### 14 TRADING SECURITIES

	The Group	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Equity securities listed in Hong Kong, at market value ( <i>note 12</i> )	<u>2,840</u>	<u>–</u>

### 15 ACCOUNTS RECEIVABLE

The Group maintains a defined credit policy and normally allows an average credit period of 30 days to its tenants. An ageing analysis of accounts receivable, net of provisions for doubtful debts, is as follows:

	The Group	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Outstanding balances aged:		
– Within 1 month	1,675	1,390
– 1 to 3 months	1,179	1,456
– Over 3 months	1,207	460
	<u>4,061</u>	<u>3,306</u>

## APPENDIX III FINANCIAL INFORMATION RELATING TO THE GROUP

### 16 CASH AND CASH EQUIVALENTS

	<b>The Group</b>		<b>The Company</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash and bank balances	2,152	2,117	596	127
Time deposits	10,950	124,979	10,007	121,344
	<u>13,102</u>	<u>127,096</u>	<u>10,603</u>	<u>121,471</u>

### 17 INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

	<b>The Group and the Company</b>	
	<b>2003</b>	<b>2002</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank loans, secured	192,904	168,583
Promissory notes, unsecured	—	15,000
Total bank loans and other borrowings	192,904	183,583
Portion classified as current liabilities	(10,992)	(8,394)
Long-term portion	<u>181,912</u>	<u>175,189</u>

#### Bank loans

	<b>The Group and the Company</b>	
	<b>2003</b>	<b>2002</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank loans are repayable:		
– Within 1 year	10,992	8,394
– In the second year	11,383	8,710
– In the third to fifth years, inclusive	30,261	26,132
– Beyond 5 years	140,268	125,347
	<u>192,904</u>	<u>168,583</u>

The bank loans are secured by certain investment properties of the Group with an aggregate carrying value of HK\$335,000,000 (2002: HK\$350,000,000) (note 10(e)) and an assignment of the rental income derived therefrom.

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**APPENDIX III FINANCIAL INFORMATION RELATING TO THE GROUP**

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**Promissory notes**

	<b>The Group and the Company</b>	
	<b>2003</b>	<b>2002</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Promissory notes are repayable:		
– Within 1 year	–	–
– In the second year	–	15,000
	<u>–</u>	<u>15,000</u>
	<u>–</u>	<u>15,000</u>

The promissory notes existing at 31 March 2002 were repaid on 18 September 2002

**18 AMOUNTS DUE TO RELATED COMPANIES**

Included in the amounts due to related companies is an unsecured loan of HK\$11,696,000 obtained from a related company, which is under common directorship. The loan bears interest at a rate of 3% per annum and is repayable on or before 7 February 2004.

**19 CONVERTIBLE BONDS**

On 4 January 2002, the Company issued convertible bonds for an aggregate principal amount of HK\$60,000,000 at par to certain independent investors (the “Bonds”). The original maturity date of the Bonds was 4 January 2005 (the “Maturity Date”). The Bonds bore interest at a rate of 5% per annum payable semi-annually in arrears on 30 June and 31 December.

The holders of the Bonds had the option to convert the principal outstanding amount of the Bonds in whole or in part into ordinary shares of the Company at any time before the Maturity Date at the conversion price of HK\$0.25 per share (subject to adjustment).

At any time after the expiry of 12 months from the issue date, the Company had the right to redeem the whole (but not part) of the outstanding Bonds at the redemption amount which is 105% of the principal amount of the Bonds to be redeemed together with accrued interest thereon.

On 5 March 2003, the Company redeemed all the Bonds at the redemption amount of HK\$63,000,000 with accrued interest.

**20 EQUITY COMPENSATION BENEFITS**

The Company had a share option scheme (the “Old Scheme”) for the purpose of providing incentives and rewards to eligible participants, including the Company’s executive Directors and other eligible employees of the Group. The Old Scheme became effective on 13 December 1999 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

After the adoption of the amended Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) with effect on 1 September 2001, certain terms of the Old Scheme required amendments in order to comply with the new requirements under Chapter 17 of the Listing Rules. During the year, no options were granted under the Old Scheme after the new requirements of Chapter 17 of the Listing Rules became effective. At the annual general meeting of the Company held on 16 September 2002, resolutions were passed to terminate the Old Scheme and a new share options scheme was adopted (the “New Scheme”).

## APPENDIX III FINANCIAL INFORMATION RELATING TO THE GROUP

The Company operates the New Scheme for the purpose of providing incentives and rewards to eligible participants, including the Directors (including independent non-executive Directors), other eligible employees of the Group, suppliers of goods or services to the Group, customers of the Group and any minority shareholder of the Company's subsidiaries. The New Scheme became effective on 18 September 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares of the Company in respect of which share options may be granted under the New Scheme, shall not, when aggregate with any shares subject to any other scheme, exceed 10% of the issued share capital of the Company from time to time, excluding the number of shares issued and allotted pursuant to the New Scheme. The maximum number of each participant under the New Scheme is equal to the maximum limit permitted under the Listing Rules.

The offer of a grant of share options may be accepted no later than 21 days from the date of offer with HK\$1.00 as consideration being payable by the grantee. The exercise period of the share options granted is determinable by the Directors, and commences on the date upon which the option is granted and accepted and ends on the expiry date of the option as may be determined by the Directors, which shall not be later than the tenth anniversary of the New Scheme's effective date.

The subscription price of a share option is determined by the Directors, but may not be less than the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet for trades in one or more board lots of shares on the offer date; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and (iii) the nominal value of a share.

The share options granted by the Company to the grantee under the Old Scheme will not be affected by the New Scheme and the following share options were outstanding under the Old Scheme during the year:

Name of Director	At 1 April 2002	Number of share options		At 31 March 2003	Date of grant of share options	Exercise period of share options	Exercise price of share options	Company's
		Granted during the year*	Cancelled during the year**					share price at grant date of options***
Yeung Sau Chung	23,590,000	-	(23,590,000)	-	22 June 2001	22 June 2001 to 12 December 2009	0.25	0.176
Liu Shun Chuen	23,590,000	-	(23,590,000)	-	22 June 2001	22 June 2001 to 12 December 2009	0.25	0.176

\* The share options were granted to the Directors on 22 June 2001.

\*\* The number of share options outstanding was cancelled on 28 January 2003.

\*\*\* The price of the Company's shares disclosed as at the date of the grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options.

## APPENDIX III FINANCIAL INFORMATION RELATING TO THE GROUP

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account.

The Directors do not consider that it is appropriate to disclose a theoretical value of the share options granted during the year because the Directors are of the opinion that the values of share options calculated using theoretical models are subject to certain fundamental limitations, due to the subjective nature of and uncertainty relating to a number of the assumptions of expected future performance input to the model, and certain inherent limitations of the model itself. The Directors consider that such disclosure does not give additional value in view of the abovementioned limitations surrounding these models.

### 21 SHARE CAPITAL

#### Shares

	Ordinary shares of HK\$0.25 each		'A' Preference shares of HK\$0.25 each		'B' Preference shares of HK\$0.25 each		Total HK\$'000
	Number of shares (thousand)	Amount HK\$'000	Number of shares (thousand)	Amount HK\$'000	Number of shares (thousand)	Amount HK\$'000	
<b>Authorised:</b>							
At 31 March 2003	<u>10,000,000</u>	<u>2,500,000</u>	<u>400,000</u>	<u>100,000</u>	<u>284,000</u>	<u>71,000</u>	<u>2,671,000</u>
At 31 March 2002	<u>3,920,000</u>	<u>980,000</u>	<u>400,000</u>	<u>100,000</u>	<u>284,000</u>	<u>71,000</u>	<u>1,151,000</u>

Pursuant to a resolution of an extraordinary general meeting held on 22 June 2002, the authorised share capital of the Company was further increased from 4,604,000,000 shares to 10,684,000,000 shares by the creation of additional 6,080,000,000 new ordinary shares of HK\$0.25 each.

## APPENDIX III FINANCIAL INFORMATION RELATING TO THE GROUP

	Note	Ordinary shares of HK\$0.25 each		'A' Preference shares of HK\$0.25 each		'B' Preference shares of HK\$0.25 each		Total HK\$'000
		Number of shares (thousand)	Amount HK\$'000	Number of shares (thousand)	Amount HK\$'000	Number of shares (thousand)	Amount HK\$'000	
<b>Issued and fully paid:</b>								
At 1 April 2001		594,000	148,500	–	–	–	–	148,500
Issue of preference shares		–	–	400,000	100,000	284,000	71,000	171,000
Issue of new shares		294,800	73,700	–	–	–	–	73,700
Rights issue		344,480	86,120	–	–	–	–	86,120
At 31 March 2002		<u>1,233,280</u>	<u>308,320</u>	<u>400,000</u>	<u>100,000</u>	<u>284,000</u>	<u>71,000</u>	<u>479,320</u>
At 1 April 2002		1,233,280	308,320	400,000	100,000	284,000	71,000	479,320
Issue of new shares	(a)	240,000	60,000	–	–	–	–	60,000
Open offer and bonus shares issued	(b)	1,841,600	460,400	–	–	–	–	460,400
At 31 March 2003		<u>3,314,880</u>	<u>828,720</u>	<u>400,000</u>	<u>100,000</u>	<u>284,000</u>	<u>71,000</u>	<u>999,720</u>

*Notes:*

- (a) On 23 August 2002, 240,000,000 new ordinary shares were issued at HK\$0.25 each as consideration for the acquisition of a 30% equity interest in Power Insight, which is engaged in the business of supply and trading of liquid petroleum gas and the sale of LPG household appliances.
- (b) On 7 January 2003, a rights issue of 73,664,000 new shares of HK\$0.25 each was made to the Shareholders at the issue price of HK\$0.25 each and on the basis of one rights issue share for every twenty existing shares held. On the same date, a bonus issue of 1,767,936,000 new shares of HK\$0.25 each was made to the subscribers of the aforementioned rights issue at the issue price of HK\$0.25 each and on the basis of twenty four bonus shares for one aforementioned rights issue share subscribed. An aggregate consideration before expenses of HK\$460,400,000 has been credited to the Company's share capital.



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**APPENDIX III FINANCIAL INFORMATION RELATING TO THE GROUP**

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**Redeemable convertible preference shares**

The Preference Shares carry no right to dividend distributions to the holders. The Preference Shares carry a right to be converted into fully paid ordinary shares at initial conversion prices of HK\$0.90, HK\$1.50 and HK\$2.50 during Conversion Periods I, II and III, respectively, as set out below.

	<b>‘A’ Preference Shares</b>	<b>‘B’ Preference Shares</b>
Conversion period I	not more than HK\$33,333,327 equivalent nominal value shall become convertible within a period of 12 months from the date of issue	not more than HK\$23,666,661 equivalent nominal value shall become convertible within a period of 12 months from the date of issue
Conversion period II	not more than a further HK\$33,333,333 shall become convertible within a period commencing from the beginning of the 13th month up to the end of the 24th month after the date of issue	not more than a further HK\$23,666,664 shall become convertible within a period commencing from the beginning of the 13th month up to the end of the 24th month after the date of issue
Conversion period III	the balance of HK\$33,333,340 equivalent nominal value shall become convertible within a period commencing from the beginning of the 25th month up to the end of the 36th month after the date of issue	the balance of HK\$23,666,675 equivalent nominal value shall become convertible within a period commencing from the beginning of the 25th month up to the end of the 36th month after the date of issue

Pursuant to the terms and conditions of the Preference Shares, the Preference Shares may be redeemed by the holders of the Preference Shares at any time subsequent to 50 years after the date of issue at the redemption value of HK\$1.00 per Preference Share.

No Preference Shares were converted or redeemed during the year. Upon full conversion of the Preference Shares into ordinary shares of the Company at the pre-determined conversion price set out above, an aggregate of approximately 124,133,324 ordinary shares of the Company would be issued, which represents approximately 3.74% of the Company’s existing issued share capital of 3,314,880,000 ordinary shares and approximately 3.61% of the Company’s enlarged share capital of 3,439,013,324.

## APPENDIX III FINANCIAL INFORMATION RELATING TO THE GROUP

### 22 RESERVES

#### The Group

	Share premium <i>HK\$'000</i>	Revaluation reserve <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	General reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2001	544,381	–	(84)	6,000	19,124	(825,525)	(256,104)
Share issue expenses	(3,136)	–	–	–	–	–	(3,136)
Release upon disposal of an associate	–	–	84	–	(14,124)	–	(14,040)
Loss for the year	–	–	–	–	–	(78,965)	(78,965)
At 31 March 2002	<u>541,245</u>	<u>–</u>	<u>–</u>	<u>6,000</u>	<u>5,000</u>	<u>(904,490)</u>	<u>(352,245)</u>
At 1 April 2002	541,245	–	–	6,000	5,000	(904,490)	(352,245)
Bonus share issue	(441,984)	–	–	–	–	–	(441,984)
Share issue expenses	(1,038)	–	–	–	–	–	(1,038)
Surplus on revaluation of other investments	–	3,000	–	–	–	–	3,000
Loss for the year	–	–	–	–	–	(71,962)	(71,962)
At 31 March 2003	<u>98,223</u>	<u>3,000</u>	<u>–</u>	<u>6,000</u>	<u>5,000</u>	<u>(976,452)</u>	<u>(864,229)</u>

Negative goodwill in respect of acquisitions made prior to 1 April 2001 was credited directly to the capital reserve. The remaining negative goodwill included in the capital reserve will not be released to the profit and loss account unless the respective subsidiaries are disposed of by the Group (note 1(e)).

#### The Company

	Share premium <i>HK\$'000</i>	Revaluation reserve <i>HK\$'000</i>	General reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2001	544,381	–	6,000	(819,863)	(269,482)
Share issue expenses	(3,136)	–	–	–	(3,136)
Loss for the year	–	–	–	(79,339)	(79,339)
At 31 March 2002	<u>541,245</u>	<u>–</u>	<u>6,000</u>	<u>(899,202)</u>	<u>(351,957)</u>
At 1 April 2002	541,245	–	6,000	(899,202)	(351,957)
Bonus share issue	(441,984)	–	–	–	(441,984)
Share issue expenses	(1,038)	–	–	–	(1,038)
Surplus on revaluation of other investments	–	3,000	–	–	3,000
Loss for the year	–	–	–	(72,175)	(72,175)
At 31 March 2003	<u>98,223</u>	<u>3,000</u>	<u>6,000</u>	<u>(971,377)</u>	<u>(864,154)</u>

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## APPENDIX III FINANCIAL INFORMATION RELATING TO THE GROUP

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### 23 COMMITMENTS

Capital commitments outstanding at 31 March 2003 not provided for in the financial statements were as follows:

	<b>The Group and the Company</b>	
	<b>2003</b>	<b>2002</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Contracted, but not provided for:</b>		
Acquisition of a subsidiary	<u>400,000</u>	<u>400,000</u>

In 2000, the Group entered into a conditional sale and purchase agreement with an independent third party for the acquisition of the entire issued share capital and the shareholders' loan of Growing China Limited ("Growing China"), a company incorporated in the British Virgin Islands, at a consideration of HK\$400,000,000. The principal assets of Growing China are residential blocks and a commercial complex located at Chengdu in the Sichuan Province, the PRC. Part of the consideration of HK\$340,000,000 is expected to be satisfied by the issue and allotment of approximately 301,000,000 new ordinary shares of the Company and the remaining balance of HK\$60,000,000 in cash. The agreement has yet to become unconditional and parties to the agreement agreed on 19 December 2000 to extend the long stop date of the agreement to such date as the parties may agree in writing. In the opinion of the Directors, unless the parties mutually agree to complete the acquisition, no payment under the agreement will be made within the next twelve months from the date of this report.

### 24 RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees in Hong Kong under the jurisdiction of the Hong Kong Employment Ordinance. The assets of the MPF Scheme are held separately from those of the Group and administered by an independent trustee. Under the MPF Scheme, the Group and its employees are each required to make a contribution to the Scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$20,000 (the "Cap"). The amounts in excess of the Cap are contributed to the MPF Scheme by both employers and employees as voluntary contributions. Mandatory contributions to the MPF Scheme are vested to the employees.

### 25 POST BALANCE SHEET EVENTS

#### (a) Capital reorganisation

On 11 April 2003, special resolutions were passed at an extraordinary general meeting of the Company to implement a capital reorganisation which, in summary, involved the following:

- (i) a reduction of the issued ordinary share capital of the Company of HK\$828,720,000 divided into 3,314,880,000 ordinary shares of HK\$0.25 each to HK\$33,148,800 divided into 3,314,880,000 ordinary shares of HK\$0.01 each and the issued preference share capital of HK\$171,000,000 divided into 684,000,000 preference shares of HK\$0.25 each to HK\$6,840,000 divided into 684,000,000 preference shares of HK\$0.01 each ("Capital Reduction").

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## APPENDIX III FINANCIAL INFORMATION RELATING TO THE GROUP

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The credit of HK\$959,731,200 resulting from the Capital Reduction of the Company will be set off, to the extent permitted by and subject to such conditions as may be imposed by the High Court of the Hong Kong Special Administrative Region (“Court”), against the accumulated losses of the Company;

- (ii) a sub-division of the authorised but unissued ordinary shares of HK\$0.25 each into 25 ordinary shares of HK\$0.01 each (“Share Sub-division”);
- (iii) an increase of the authorised ordinary share capital of the Company to HK\$2,500,000,000, by the creation of not less than 79,557,120,000 new ordinary shares of HK\$0.01 each (“Capital Increase”); and
- (iv) the consolidation of 10 ordinary shares of HK\$0.01 each and 10 preference shares of HK\$0.01 each after such Capital Reduction into one new consolidated share of HK\$0.10 (“Consolidated Shares”) and one new consolidated preference share of HK\$0.10 (“Consolidated Preference Shares”) respectively (the “Share Consolidation”) (collectively as “Capital Reorganisation”).

Further details of the Capital Reorganisation are also set out in the circular of the Company dated 19 March 2003.

On 25 June 2003, by an order of the Court (“Court Order”), the Capital Reduction was confirmed. And upon filing of the Court Order and minutes of the Company with the Companies Registrar, the Capital Reorganisation became effective on 26 June 2003.

The Company has given certain undertakings to the Court. Details of such undertakings are summarised in the Report of the Directors.

### **(b) Refinancing**

On 11 April 2003, a subsidiary of the Company has entered into a new banking facility of HK\$200,000,000 granted by the bank. The new bank loan was drawn on 12 June 2003 to refinance its existing bank borrowings.

## **26 COMPARATIVE FIGURES**

Certain comparative figures have been adjusted to conform with changes in presentation in the current financial year as a result of adopting revised Statements of Standard Accounting Practice (“SSAPs”). The Statement of Recognised Gains and Losses was replaced by the Statement of Changes in Equity as required by the SSAP1 (revised) “Presentation of Financial Statements”.

The presentation and classification of items in the consolidated cash flow statement have been changed due to the adoption of the requirement of SSAP15 (revised 2001) “Cash Flow Statements”. As a result, cash flow items from taxation, returns on investments and servicing of finance have been reclassified into operating, investing and financing activities respectively and a detailed breakdown of cash flows from operating activities have been included on the face of the consolidated cash flow statement.

Comparative figures have been reclassified to conform with current year’s presentation.

## APPENDIX III FINANCIAL INFORMATION RELATING TO THE GROUP

### 3. UNAUDITED INTERIM FINANCIAL INFORMATION

The following is extracted from the Company's unaudited interim report for the six months ended 30 September 2003.

#### CONSOLIDATED PROFIT AND LOSS ACCOUNT

	<i>Notes</i>	<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2003</b>	<b>2002</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited/ restated)
<b>Turnover</b>	3	12,944	11,553
Direct outgoings		(79)	(137)
		<hr/>	<hr/>
Gross profit		12,865	11,416
Other revenue		366	1,364
Other net loss	4	(1,988)	–
Surplus on revaluation of investment properties		15,000	–
Gain on disposal of interest in associates		–	56,859
Unrealised holding loss on short term investment		–	(51,688)
Administrative expenses		(8,002)	(2,513)
		<hr/>	<hr/>
<b>Profit from operations</b>	5	18,241	15,438
Finance costs		(2,795)	(7,071)
Share of loss of an associate		–	(59)
		<hr/>	<hr/>
<b>Profit before taxation</b>		15,446	8,308
Taxation	6	(340)	(700)
		<hr/>	<hr/>
<b>Net profit attributable to shareholders</b>		<u>15,106</u>	<u>7,608</u>
		<hr/>	<hr/>
<b>Earnings per share – Basic</b>	7	<u>\$0.05</u>	<u>\$0.02</u>
		<hr/>	<hr/>

The notes on pages 95 to 103 form part of the interim financial statements.

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**APPENDIX III FINANCIAL INFORMATION RELATING TO THE GROUP**

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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2003</b>	<b>2002</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited/ restated)
<b>Total equity at 1 April</b>		
As previously reported	135,491	127,075
Prior period adjustments arising from changes in accounting policy for: – deferred taxation (Note 1)	<u>(2,468)</u>	<u>(2,268)</u>
As restated	133,023	124,807
<b>Net profit for the period</b>	15,106	7,608
Issue of shares, net of share issue expenses	<u>–</u>	<u>59,960</u>
<b>Total equity at 30 September</b>	<u><u>148,129</u></u>	<u><u>192,375</u></u>

The notes on pages 95 to 103 form part of the interim financial statements.

## APPENDIX III FINANCIAL INFORMATION RELATING TO THE GROUP

### CONSOLIDATED BALANCE SHEET

		As at	
	Notes	30 September 2003 HK\$ '000 (unaudited)	31 March 2003 HK\$ '000 (audited/ restated)
<b>NON-CURRENT ASSETS</b>			
Fixed assets	8	351,136	336,146
Other investments		3,000	3,000
		354,136	339,146
<b>CURRENT ASSETS</b>			
Trading securities	9	–	2,840
Accounts receivable	10	3,911	4,061
Prepayment, deposits and other receivables		902	1,466
Cash and cash equivalents		17,968	13,102
		22,781	21,469
<b>CURRENT LIABILITIES</b>			
Interest-bearing bank loan (secured)	11	12,466	10,992
Amounts due to related companies	12	12,190	13,616
Other payables and accruals		15,846	17,654
Taxation		1,022	950
		41,524	43,212
<b>NET CURRENT LIABILITIES</b>		<b>(18,743)</b>	<b>(21,743)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>335,393</b>	<b>317,403</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank loan (secured)	11	(184,456)	(181,912)
Deferred taxation		(2,808)	(2,468)
		(187,264)	(184,380)
		<b>148,129</b>	<b>133,023</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	13	39,989	999,720
Reserves	14	108,140	(866,697)
		<b>148,129</b>	<b>133,023</b>

The notes on pages 95 to 103 form part of the interim financial statements.

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**APPENDIX III FINANCIAL INFORMATION RELATING TO THE GROUP**

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**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2003</b>	<b>2002</b>
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
	(unaudited)	(unaudited)
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>2,691</b>	<b>5,562</b>
<b>NET CASH INFLOW FROM INVESTING ACTIVITIES</b>	<b>952</b>	<b>–</b>
<b>NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES</b>	<b>1,223</b>	<b>(8,850)</b>
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>4,866</b>	<b>(3,288)</b>
Cash and cash equivalents at beginning of the period	13,102	127,096
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>17,968</b>	<b>123,808</b>
<b>ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	17,968	123,808

The notes on pages 95 to 103 form part of the interim financial statements.



**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS****1. BASIS OF PREPARATION**

- (a) The interim financial statements (the “Interim Report”) are unaudited, but have been reviewed by KPMG in accordance with Statement of Auditing Standards 700 “Engagements to review interim financial reports”, issued by the Hong Kong Society of Accountants (the “HKSA”).

The Interim Report has been prepared in accordance with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”), including compliance with Statement of Standard Accounting Practice (“SSAP”) 25 “Interim financial reporting” issued by the HKSA.

The financial information relating to the financial year ended 31 March 2003 included in the Interim Report does not constitute the Company’s statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 March 2003 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 28 July 2003.

The same accounting policies adopted in the Group’s annual financial statements for the year ended 31 March 2003 have been applied to the Interim Report except for the adoption of the revised SSAP 12 “Income taxes”, which is effective for accounting periods commencing on or after 1 January 2003.

The notes on the Interim Report include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2003 annual financial statements.

- (b) In prior years, deferred tax liabilities were provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenses, which were expected with reasonably probability to crystallise in the foreseeable future. Deferred tax assets were not recognised unless their realisation was assured beyond reasonable doubt. With effect from 1 April 2003, in order to comply with SSAP 12 (revised) issued by the HKSA, the Group has adopted a new policy for deferred taxation as follows:

Deferred tax assets and liabilities arise from deductible and taxable temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the taxes respectively. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. The limited exceptions are temporary differences arising from goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and temporary differences relating

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## APPENDIX III FINANCIAL INFORMATION RELATING TO THE GROUP

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to investments in subsidiaries to the extent that, in the case of taxable temporary differences, the Group controls the timing of reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible temporary differences, unless it is probable that they will reverse in the future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

The new accounting policy has been adopted retrospectively, with the opening balance of accumulated losses and the comparative information adjusted for the amounts relating to prior periods. As a result of the adoption of this accounting policy, the profit for the six months ended 30 September 2003 has been decreased by HK\$340,000 (six months ended 30 September 2002: HK\$100,000) and the net assets as at the period end have been decreased by HK\$2,808,000 (at 31 March 2003: HK\$2,468,000).

### 2. PRINCIPAL ACTIVITIES

The Company is an investment holding company.

The principal activities of its subsidiaries have not changed during the period and consisted of property investments and other investments in Hong Kong and the PRC.

### 3. TURNOVER AND SEGMENTAL INFORMATION

Turnover represents the gross rental income and management fees derived from the investment properties during the period.

The Group's operating results are almost entirely attributable to its property investment activities in Hong Kong. Accordingly, no segmental analysis is provided.

### 4. OTHER NET LOSS

	Six months ended 30 September	
	2003	2002
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net realised loss on trading securities	<u>(1,988)</u>	<u>–</u>

## APPENDIX III FINANCIAL INFORMATION RELATING TO THE GROUP

### 5. PROFIT FROM OPERATING ACTIVITIES

Profit from operating activities is arrived at after charging/(crediting):–

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2003</b>	<b>2002</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Staff costs (including directors' remuneration)		
Wages and salaries	3,390	198
Retirement costs	87	7
	<u>3,477</u>	<u>205</u>
Depreciation	50	–
Provision for doubtful debts	89	–
Interest income	(140)	(956)
	<u><u>(140)</u></u>	<u><u>(956)</u></u>

### 6. TAXATION

No provision for Hong Kong Profits Tax has been made as the Group did not have any assessable profits for the period.

Deferred taxation has been provided in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2002: 16%).

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2003</b>	<b>2002</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited/ restated)
<b>Current taxation</b>		
Provision for Hong Kong Profits Tax for the period	–	600
	<u>–</u>	<u>600</u>
<b>Deferred taxation</b>		
Origination and reversal of temporary differences	108	100
Effect of increase in tax rate on deferred tax	232	–
	<u>340</u>	<u>100</u>
Total taxation	<u><u>340</u></u>	<u><u>700</u></u>

## APPENDIX III FINANCIAL INFORMATION RELATING TO THE GROUP

### 7. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the net profit attributable to shareholders for the period ended 30 September 2003 of HK\$15,106,000 (2002: HK\$7,608,000 (as restated)) and the weighted average of 331,488,000 (2002: 323,975,000 (as restated)) ordinary shares in issue during the period.

The exercise of the subscription rights conferred by the redeemable convertible preference shares would not have any dilutive effect on the earnings per share for the periods ended 30 September 2003 and 2002. There are no other potentially dilutive securities.

### 8. FIXED ASSETS

- (a) Investment properties of the Group situated in Hong Kong were revalued by Chesterton Petty Limited, independent professional qualified valuers, who have amongst themselves members of the Hong Kong Institute of Surveyors, on an open market value basis at 30 September 2003. The increase in fixed assets during the current period substantially represents HK\$15,000,000 increase in investment properties following the current valuation.
- (b) Certain of the above investment properties with an aggregate carrying value of HK\$350,000,000 (31 March 2003: HK\$335,000,000) have been pledged to a bank for bank loans (note 11).
- (c) The Group leases out investment properties under operating lease arrangements, with leases negotiated for an initial period of one to four years. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the prevailing market conditions. None of the leases includes contingent rentals.

At 30 September 2003, the Group had total future minimum lease payments under non-cancellable operating leases receivable as follows:

	As at	
	30 September 2003	31 March 2003
	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (audited)
Within one year	19,915	18,953
In the second to fifth years, inclusive	11,320	8,388
	<u>31,235</u>	<u>27,341</u>

### 9. TRADING SECURITIES

The trading securities represent the carrying value of 284 million ordinary shares in eCyber China Holdings Limited which were disposed of during the current period.

## APPENDIX III FINANCIAL INFORMATION RELATING TO THE GROUP

### 10. ACCOUNTS RECEIVABLE

The Group maintains a defined credit policy and normally allows an average credit period of 30 days to its tenants. An ageing analysis of accounts receivable, net of provisions for doubtful debts, is as follows:

	<b>As at</b>	
	<b>30 September</b>	<b>31 March</b>
	<b>2003</b>	<b>2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Outstanding balances aged:		
– Within 1 month	1,772	1,675
– 1 to 3 months	1,077	1,179
– Over 3 months	1,062	1,207
	3,911	4,061
	3,911	4,061

### 11. INTEREST-BEARING BANK LOAN

	<b>As at</b>	
	<b>30 September</b>	<b>31 March</b>
	<b>2003</b>	<b>2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Bank loan, secured	196,922	192,904
Portion classified as current liabilities	(12,466)	(10,992)
	184,456	181,912
	184,456	181,912

#### **Bank loan**

The bank loan is repayable:

Within one year	12,466	10,992
In the second year	13,089	11,383
In the third to fifth year, inclusive	40,722	30,261
Beyond five years	130,645	140,268
	196,922	192,904
	196,922	192,904

The bank loans are secured by certain investment properties of the Group with an aggregate carrying value of HK\$350,000,000 and an assignment of the rental income derived therefrom.

## APPENDIX III FINANCIAL INFORMATION RELATING TO THE GROUP

### 12. AMOUNTS DUE TO RELATED COMPANIES

Included in the amounts due to related companies is an unsecured loan of HK\$11,696,000 obtained from a related company, which is under common directorship. The loan bears interest at a fixed rate of 3% per annum and is repayable on or before 27 February 2004.

### 13. SHARE CAPITAL

	As at			
	30 September 2003		31 March 2003	
	Number of shares ( <i>'000</i> )	HK\$ <i>'000</i>	Number of shares ( <i>'000</i> )	HK\$ <i>'000</i>
<i>Authorised:</i>				
Ordinary shares of HK\$0.10 each ( <i>Note</i> )	25,000,000	2,500,000		
	<u>25,000,000</u>	<u>2,500,000</u>		
Ordinary shares of HK\$0.25 each			10,000,000	2,500,000
			<u>10,000,000</u>	<u>2,500,000</u>
'A' Redeemable convertible preferences shares of HK\$0.10 each ( <i>Note</i> )	40,000	4,000		
	<u>40,000</u>	<u>4,000</u>		
'A' Redeemable convertible preferences shares of HK\$0.25 each			400,000	100,000
			<u>400,000</u>	<u>100,000</u>
'B' Redeemable convertible preferences shares of HK\$0.10 each ( <i>Note</i> )	28,400	2,840		
	<u>28,400</u>	<u>2,840</u>		
'B' Redeemable convertible preferences shares of HK\$0.25 each			284,000	71,000
			<u>284,000</u>	<u>71,000</u>
<i>Issued and fully paid:</i>				
Ordinary shares				
At the beginning of the period/year	3,314,880	828,720	1,233,280	308,320
Issue of new shares	–	–	240,000	60,000
Open offer and bonus shares issued	–	–	1,841,600	460,400
Capital reorganisation ( <i>Note</i> )	(2,983,392)	(795,571)	–	–
	<u>(2,983,392)</u>	<u>(795,571)</u>	<u>–</u>	<u>–</u>
At the end of the period/year	331,488	33,149	3,314,880	828,720
	<u>331,488</u>	<u>33,149</u>	<u>3,314,880</u>	<u>828,720</u>
'A' Redeemable convertible preferences shares of HK\$0.10 each ( <i>Note</i> )	40,000	4,000		
	<u>40,000</u>	<u>4,000</u>		
'A' Redeemable convertible preferences shares of HK\$0.25 each			400,000	100,000
			<u>400,000</u>	<u>100,000</u>
'B' Redeemable convertible preferences shares of HK\$0.10 each ( <i>Note</i> )	28,400	2,840		
	<u>28,400</u>	<u>2,840</u>		
'B' Redeemable convertible preferences shares of HK\$0.25 each			284,000	71,000
			<u>284,000</u>	<u>71,000</u>
		39,989		999,720
		<u>39,989</u>		<u>999,720</u>

## APPENDIX III FINANCIAL INFORMATION RELATING TO THE GROUP

*Note:*

On 11 April 2003, special resolutions were passed at an extraordinary general meeting of the Company to implement a capital reorganisation which was approved by the Court on 26 June 2003, involved a reduction of the issued ordinary share capital of the Company of HK\$828,720,000 divided into 3,314,880,000 shares of HK\$0.25 each to HK\$33,148,800 divided into 3,314,880,000 shares of HK\$0.01 each and the issued preference share capital of HK\$171,000,000 divided into 684,000,000 preference shares of HK\$0.25 each to HK\$6,840,000 divided into 684,000,000 preference shares of HK\$0.01 each (the "Capital Reduction").

The following took effect immediately after the Capital Reduction:

- (a) subdividing each authorised but unissued ordinary share of HK\$0.25 into 25 ordinary shares of HK\$0.01 each;
- (b) increasing the authorised ordinary share capital to HK\$2,500,000,000 by the creation of not less than 79,557,120,000 new ordinary shares of HK\$0.01 each; and
- (c) consolidating the 250,000,000,000 ordinary shares of HK\$0.01 each and the 684,000,000 preference shares of HK\$0.01 each into 25,000,000,000 ordinary shares of HK\$0.10 each and 68,400,000 preference shares of HK\$0.10 each respectively.

### 14. RESERVES

	Share premium <i>HK\$'000</i>	Revaluation reserve <i>HK\$'000</i>	General reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Special capital reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i> (restated)	Total <i>HK\$'000</i> (restated)
At 1 April 2002	541,245	–	6,000	5,000	–	(904,490)	(352,245)
Profit for the period	–	–	–	–	–	7,608	7,608
Issue of shares	(40)	–	–	–	–	–	(40)
At 30 September 2002	<u>541,205</u>	<u>–</u>	<u>6,000</u>	<u>5,000</u>	<u>–</u>	<u>(896,882)</u>	<u>(344,677)</u>
At 31 March 2003 (audited)							
– as previously reported	98,223	3,000	6,000	5,000	–	(976,452)	(864,229)
– prior period adjustments							
– deferred taxation	–	–	–	–	–	(2,468)	(2,468)
As restated	98,223	3,000	6,000	5,000	–	(978,920)	(866,697)
Capital reorganisation ( <i>Note 13</i> )	–	–	–	–	64,788	894,943	959,731
Profit for the period	–	–	–	–	–	15,106	15,106
At 30 September 2003	<u>98,223</u>	<u>3,000</u>	<u>6,000</u>	<u>5,000</u>	<u>64,788</u>	<u>(68,871)</u>	<u>108,140</u>

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**APPENDIX III FINANCIAL INFORMATION RELATING TO THE GROUP**

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**15. CAPITAL COMMITMENT**

	As at	
	<b>30 September 2003</b>	<b>31 March 2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
<b>Contracted, but not provided for</b>		
Acquisition of a subsidiary	<u>400,000</u>	<u>400,000</u>

In 2000, the Group entered into a conditional sale and purchase agreement with an independent third party for the acquisition of the entire issued share capital and the shareholders' loan of Growing China Limited ("Growing China"), a company incorporated in the British Virgin Islands, at a consideration of HK\$400,000,000. The principal assets of Growing China are residential blocks and a commercial complex located at Chengdu in the Sichuan Province, the PRC. Part of the consideration of HK\$340,000,000 is expected to be satisfied by the issue and allotment of approximately 301,000,000 new ordinary shares of the Company and the remaining balance of HK\$60,000,000 in cash. The agreement has yet to become unconditional and parties to the agreement agreed on 19 December 2000 to extend the long stop date of the agreement to such date as the parties may agree in writing. In the opinion of the Directors, unless the parties mutually agree to complete the acquisition, no payment under the agreement will be made within the next 12 months from the date of this report.

**16. RELATED PARTY TRANSACTION**

During the six months ended 30 September 2003, interest expense payable to a related company in respect of an unsecured loan amounted to HK\$176,000.

**17. POST BALANCE SHEET EVENTS**

- (a) On 28 November 2003, an ordinary resolution was passed at an extraordinary general meeting to approve an open offer to the Company's qualifying shareholders of 1,325,952,000 shares on the basis of four offer shares for every existing share at a subscription price of HK\$0.10 per share held at of that date. The net proceeds of the open offer, after deducting expenses, are expected to be approximately HK\$131.7 million and are intended to be used as funding for any potential future investments (including PRC property investments) and general working capital of the Group.
- (b) On 1 December 2003, Sino Dynasty Investments Limited, a wholly owned subsidiary of the Company, entered into a conditional sale and purchase agreement to acquire a 25% equity interest in 南京國際商城建設有限公司 (Nanjing City Plaza Construction Co., Ltd.) ("Nanjing City Plaza") for a consideration of HK\$91,000,000 to be satisfied as to HK\$90,000,000 in cash and as to HK\$1,000,000 by the issuance of 5,000,000 ordinary shares to be issued by the Company. Nanjing City Plaza is a sino-foreign joint venture company incorporated in the PRC. The principal asset of Nanjing City Plaza is a 51% equity interest in 南京國際集團股份有限公司 (Nanjing International Group Co., Ltd.), a joint stock limited liability company incorporated in the PRC, which is principally engaged in property development in Nanjing, the PRC. The proposed acquisition is subject to the approval of the Shareholders at the extraordinary general meeting to be held in January 2004.



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## **APPENDIX III FINANCIAL INFORMATION RELATING TO THE GROUP**

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- (c) On 11 December 2003, Dragon Express Investments Limited, a wholly owned subsidiary of the Company, entered into a subscription agreement to subscribe for 12 units of the Gobi Fund, Inc. (“Gobi Fund”) at a consideration of US\$6,000,000 (equivalent to approximately HK\$46,800,000). Gobi Fund is a venture capital fund sponsored and managed by Gobi Partners, Inc., and mainly focuses on early stage investments in the PRC’s digital media sector, such as telecommunications, internet and broadcasting. Gobi Fund is also co-sponsored by Tsinghua Venture Capital Co., Ltd., the venture capital arm of Tsinghua University, the PRC.

### **18. COMPARATIVE FIGURES**

Certain comparative figures have been adjusted due to the adoption of SSAP 12 (revised) during the period as described in note 1 (b).

### **19. INTERIM DIVIDEND**

The directors have resolved that no interim dividend will be declared in respect of the six months ended 30 September 2003 (2002: Nil).

### **20. CHANGE OF COMPANY NAME**

Pursuant to a special resolution passed at the extraordinary general meeting held on 11 April 2003, the name of the Company was changed from “Can Do Holdings Limited (長發建業有限公司)” to “Goldbond Group Holdings Limited (金榜集團控股有限公司)” with effect from 9 May 2003.

### **21. APPROVAL OF INTERIM FINANCIAL REPORT**

The interim financial report was approved by the Board on 17 December 2003.

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**APPENDIX III FINANCIAL INFORMATION RELATING TO THE GROUP**

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**4. STATEMENT OF PROFORMA UNAUDITED ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS**

The following statement of proforma unaudited adjusted consolidated net tangible assets of the Group based on the audited consolidated net tangible assets of the Group as at 31 March 2003 and adjusted as follows:

	<i>HK\$'000</i>
Audited consolidated net tangible assets of the Group as at 31 March 2003	135,491
Less: Deferred taxation	<u>(2,468)</u>
Audited and restated consolidated net tangible assets of the Group as at 31 March 2003	133,023
Add: Unaudited consolidated profit of the Group for the six months ended 30 September 2003 (inclusive of revaluation surplus) ( <i>Notes 1, 2 and 3</i> )	<u>15,106</u>
Unaudited consolidated net tangible assets of the Group as at 30 September 2003	148,129
Add: net proceeds from the Open Offer, net of expenses	<u>131,695</u>
Proforma unaudited adjusted consolidated net tangible assets of the Group	<u><u>279,824</u></u>
Proforma unaudited adjusted consolidated net tangible assets per Share (based on 1,657,440,000 Shares in issue on the Latest Practicable Date)	<u><u>HK\$0.17</u></u>

*Notes:*

1. The Company has appointed Chesterton Petty Limited, an independent firm of professional valuer, to carry out a valuation of the Group's property interests as at 30 September 2003, a summary of which is set out in Appendix II to this document.
2. As it is the intention of the Directors to hold the Group's property interests, which are the subject of the valuation by Chesterton Petty Limited set out in Appendix II to this document, for long term purpose, no tax liability will crystallise for the Group on any disposal of any of such property interests of the Group at the amount of the valuation.
3. The net book value of the Group's property interests as at 30 September 2003 would be further increased from that as of 31 March 2003 as a result of appreciation for leasehold properties. The surplus arising from the revaluation of the properties would be incorporated in the Group's coming financial statements according to the Group's accounting policy.

## **5. STATEMENT OF INDEBTEDNESS**

As at the close of business on 30 November 2003, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this document, the Group had total outstanding borrowings of approximately HK\$206.6 million, comprising secured bank borrowings of approximately HK\$194.9 million, and unsecured loan of HK\$11.7 million from a related company.

Save as referred to above or as otherwise disclosed herein and apart from intra-group liabilities, the Group did not have, as at the close of business on 30 November 2003, any mortgages charges, debentures or other loan capital or bank overdraft, loans or other similar indebtedness or hire-purchase commitments or any guarantees or other material contingent liabilities.

Save as referred to above, the Directors have confirmed that there have been no material changes in the indebtedness and contingent liabilities of the Group since 30 November 2003.

## **6. MATERIAL CHANGES**

Save as disclosed in the Company's interim report for the six months ended 30 September 2003, an extract of which is set out on pages 91 to 103 under the paragraph headed "Unaudited interim financial information" in this Appendix and the Open Offer, the Directors are not aware of any material changes in the financial or trading position or prospects of the Group since 31 March 2003, being the date of the latest audited consolidated financial statements of the Group were made up.

**1. RESPONSIBILITY STATEMENT**

This document includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The information contained herein (other than information relating to Ace Solomon and Allied Luck and the future intentions of Ace Solomon and Allied Luck in respect of the Group) has been supplied by the Directors, who jointly and severally accept full responsibility for the accuracy of the information contained in this document and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this document have been arrived at after due and careful consideration there are no other facts not contained in this document the omission of which would make any statement herein misleading.

The information contained herein relating to Ace Solomon has been supplied by the directors of Ace Solomon, who jointly and severally accept full responsibility for the accuracy of the information contained in this document relating to Ace Solomon and their future intentions in respect of the Group and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this document have been arrived at after due and careful consideration there are no other facts not contained in this document the omission of which would make any statement herein misleading.

The information contained herein relating to Allied Luck has been supplied by the directors of Allied Luck, who jointly and severally accept full responsibility for the accuracy of the information contained in this document relating to Allied Luck and their future intentions in respect of the Group and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this document have been arrived at after due and careful consideration there are no other facts not contained in this document the omission of which would make any statement herein misleading.

**2. MARKET PRICES**

The table below shows the closing price of the Shares on the Stock Exchange on (i) the last day on which trading took place in each of the six calendar months of the Relevant Period;

(ii) 16 October 2003, being the last trading day immediately preceding the date of the announcement of the Cash Offer; (iii) the Latest Practicable Date:

Date	Closing price per Share HK\$
<b>2003</b>	
30 April	0.118A
30 May	0.124A
30 June	0.120A
31 July	0.116A
29 August	0.116A
30 September	0.144A
31 October	0.172A
28 November	0.200
16 October	0.141A
Latest Practicable Date	0.180

*A: adjusted for the Company's share consolidation and Open Offer announced on 26 June 2003 and 22 October 2003 respectively.*

The highest and lowest closing prices per Share recorded on the Stock Exchange during the Relevant Period were HK\$0.112 (adjusted) and HK\$0.222 on 9 May 2003 and 25 November 2003 respectively.

### 3. DISCLOSURE OF INTERESTS

#### Interests in the Company

As at the Latest Practicable Date, the interests or short positions of each Director and chief executive in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provision of the SFO); or (b) were required to pursuant to Section 352 of the SFO to be entered in the register referred to therein; or (c) were required to pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") to be notified to the Company and the Stock Exchange were as follows:

Name	Number of Shares
Mr. Wong	497,232,000 (Note 1)
Mr. Ko	65,881,800 (Note 2)
Ms. Loh	404,766,843 (Note 3)
Mr. Kee	472,586,343 (Note 4)

*Notes:*

1. These Shares are held as to 497,232,000 Shares by Allied Luck, in which Mr. Wong is deemed to be interested by virtue of his shareholding interests in Allied Luck.
2. These Shares are held by Sparkle Power, in which Mr. Ko is deemed to be interested by virtue of his shareholding interests in Sparkle Power.
3. These Shares are held as to 65,881,800 Shares by Sparkle Power and as to 338,885,043 Shares by Ace Solomon, in which Ms. Loh is deemed to be interested by virtue of her shareholding interests in Sparkle Power and Ace Solomon respectively.
4. These Shares are held as to 133,701,300 Shares by Canasia and as to 338,885,043 Shares by Ace Solomon, in which Mr. Kee is deemed to be interested by virtue of his shareholding interests in Canasia and Ace Solomon respectively.

**Interests in Ace Solomon and Allied Luck**

As at the Latest Practicable Date, the Group did not have any beneficial interest in the share capital of Ace Solomon, Allied Luck nor their associates.

During the Relevant Period, the Group did not have any dealings in the share capital of Ace Solomon, Allied Luck nor their associates.

As at the Latest Practicable Date, Mr. Wong, Ms. Loh and Mr. Kee are interested in 11%, 43% and 46% of the issued share capital of Ace Solomon and each of Mr. Wong and Mrs. Wong is interested in 50% of the issued share capital of Allied Luck.

**Dealings in securities of the Company, Ace Solomon and Allied Luck**

During the Relevant Period, none of the Directors had any dealings in the securities of the Company, Ace Solomon nor Allied Luck.

**Service contracts**

There is no existing or proposed service contract, excluding contract expiring or terminable within 12 months, and no service contract has been entered into within the Relevant Period, between any company comprising the Group or any associated companies of the Company and any of the Directors.

**Miscellaneous**

- (a) No shareholding in the Company was owned or controlled by a subsidiary of the Company or by a pension fund of any member of the Group, or by Chateron or any of its associates (as defined in the Listing Rules) as at the Latest Practicable Date;

- (b) None of the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code has any arrangement or indemnity of the kind referred to in Note 8 to Rule 22 of the Takeovers Code;
- (c) No shareholding in the Company was managed on a discretionary basis by fund managers connected with the Company as at the Latest Practicable Date;
- (d) No person has any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Ace Solomon and Allied Luck or parties acting in concert with any of them.
- (e) Save for the undertakings of Allied Luck, Canasia and Sparkle Power disclosed in the letter from the Board and the letter from Goldbond Capital set out in this document, no person/party has irrevocably committed himself/itself to accept or reject the Cash Offer;
- (f) As at the Latest Practicable Date, no benefit (other than statutory compensation) would be given to any Director as compensation for loss of office or otherwise in connection with the Cash Offer;
- (g) Save for the undertakings of Allied Luck, Canasia and Sparkle Power disclosed in the letter from the Board and the letter from Goldbond Capital set out in this document, as at the Latest Practicable Date, there was no agreement or arrangement between Ace Solomon, Allied Luck or any parties acting in concert with them and any Director or any other person which is conditional on the outcome of the Cash Offer or otherwise connected with the Cash Offer; and
- (h) No material contracts have been entered into by Ace Solomon and Allied Luck in which any Director has a material personal interest.

#### **4. MATERIAL CONTRACTS**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of the Group within two years preceding the date of this document and which are or may be material:

- (a) a placement agreement dated 4 January 2002 entered into between Deloitte & Touche Corporate Finance Limited and the Company whereby Deloitte & Touche Corporate Finance Limited agreed to place HK\$60,000,000 5% convertible bonds due 2005 convertible into 240,000,000 new Shares to independent investors in accordance with the terms and conditions as stated in the placement agreement;

- (b) a conditional underwriting agreement dated 28 March 2002 entered into between the Company and Regent Medal Assets Corp. in respect of a proposed open offer to certain Shareholders at a subscription price of HK\$0.25 per offer Share on the basis of one offer Share for every seven Shares held as at a date by reference to which entitlements to the offer Share will be determined;
- (c) an agreement dated 5 August 2002 entered into between, inter alia, People Partner Limited, Gate Smart International Limited (collectively the “Vendors”) and Max Cyber Development Inc. in respect of the acquisition of a 30% interest in Power Insight Investments Limited by Max Cyber Development Inc. from the Vendors for a total consideration of HK\$60,000,000;
- (d) an agreement dated 12 August 2002 entered into between Max Cyber Development Inc., eCyberChina Holdings Limited and Prospect Technology Limited pursuant to which, inter alia, Max Cyber Development Inc. agreed to sell, eCyberChina Holdings Limited agreed to procure the purchase of and Prospect Technology Limited agreed to purchase 24,500 shares of US\$1.00 each in Masterful Resources Limited, representing 49% of the issued share capital of Masterful Resources Limited for a consideration of HK\$56,800,000;
- (e) an underwriting agreement dated 9 November 2002 entered into between the Company and Kingsway SW Securities Limited in relation to the underwriting and certain other arrangements in respect of the proposed issue of offer shares (with bonus shares) to the qualifying shareholders at a price of HK\$0.25 per offer share;
- (f) the Underwriting Agreement;
- (g) a conditional sale and purchase agreement dated 1 December 2003 entered into between Sino Dynasty Investments Limited (a wholly owned subsidiary of the Company), Wah Link Real Estate Investments Limited, Y&W Holdings Limited and Mr. Wang Boyang in respect of the proposed acquisition of a 25% interest in the registered capital of 南京國際商城建設有限公司 (Nanjing City Plaza Construction Co., Ltd.) by Sino Dynasty Investments Limited for a consideration of HK\$91,000,000; and
- (h) a subscription agreement dated 11 December 2003 entered into between the Company, Gobi Fund, Inc. and Gobi Partners, Inc. in respect of the subscription of 12 units of Gobi Fund, Inc. for a consideration of US\$6,000,000 by the Company.

## 5. LITIGATION

Neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or any of its subsidiaries.



**6. CONSENTS**

Goldbond Capital, Chateron and Chesterton Petty Limited have given and have not withdrawn their respective written consents to the issue of this document with copier of their reports, valuations or letters (as the case may be) and the references to their names included herein in the form and context which they are respectively included.

**7. GENERAL**

- (a) The registered office of Allied Luck is situated at Trident Chambers, P.O. Box 146, Road Town, Tortola, British Virgin Islands.
- (b) The registered office of Ace Solomon is situated at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.

The names of the principal parties acting in concert with Ace Solomon and Allied Luck are Canasia, Sparkle Power, Mr. Wong, Mrs. Wong, Mr. Kee, Mr. Ko and Ms. Loh, all of 39th Floor, Tower 1, Lippo Centre, 89 Queensway, Hong Kong.

- (c) The registered office of Goldbond Capital is situated at Unit 3902B, 39th Floor, Tower 1, Lippo Centre, 89 Queensway, Hong Kong.
- (d) The securities to be acquired in pursuance to the Cash Offer will not be transferred to any other persons.

**8. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours at the office of Deacons at 5th Floor, Alexandra House, 16-20 Chater Road, Central, Hong Kong during normal business hours up to the final closing date of the Cash Offer:

- (a) the memorandum of association and the bye-laws of the Company and the memorandum and articles of association of Ace Solomon and Allied Luck;
- (b) the annual reports of the Company for the two years ended 31 March 2003 and the interim report for the six months ended 30 September 2003;
- (c) the letter of advice from Chateron;
- (d) the letter, summary of valuation and valuation certificate relating to the property interests of the Group prepared by Chesterton Petty Limited, the texts of which are set out in Appendix II;

- (e) the undertakings of Allied Luck, Canasia and Sparkle Power to Ace Solomon and Allied Luck not to accept the Cash Offer;
- (f) the material contracts referred to in paragraph headed “Material contracts” in this Appendix; and
- (g) the written consents referred to in the paragraph headed “Consents” in this Appendix.