
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold all your shares in Kowloon Development Company Limited, you should at once hand this circular, together with the form of proxy, to the purchaser or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser.

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九龍建業有限公司

KOWLOON DEVELOPMENT COMPANY LIMITED

(incorporated in Hong Kong with limited liability)

(Stock Code: 34)

VERY SUBSTANTIAL ACQUISITION

ACQUISITION OF SHENZHEN PROPERTIES & RESOURCES DEVELOPMENT (GROUP) LIMITED

Financial adviser to Kowloon Development Company Limited

CAZENOVE

Cazenove Asia Limited

A notice convening the Extraordinary General Meeting to be held at the Crystal Ballroom, Basement 3, Holiday Inn Golden Mile Hong Kong, 50 Nathan Road, Kowloon, Hong Kong on Wednesday, 20 July 2005 at 11:00 a.m. is set out on pages 269 to 270 of this circular. Whether or not you are able to attend the Extraordinary General Meeting, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the share registrar of the Company, Computershare Hong Kong Investor Services Limited on 46th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event no less than 48 hours before the time appointed for the holding of the Extraordinary General Meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the Extraordinary General Meeting should you so wish.

30 June 2005

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Notice of Extraordinary General Meeting

DEFINITIONS

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

“Acquisition”	:	the proposed acquisition by the Purchaser of an approximately 70.3% equity interest in Shenzhen Properties
“Announcement”	:	the announcement of the Company dated 6 April 2005 in relation to the Acquisition
“Agreement”	:	the sale and purchase agreement dated 1 April 2005 in connection with the Acquisition
“associate”	:	has the meaning ascribed to it under the Listing Rules
“Company”	:	Kowloon Development Company Limited, a company incorporated in Hong Kong with limited liability whose shares are listed on the Stock Exchange
“Completion”	:	completion of the Acquisition in accordance with the terms of the Agreement
“connected person”	:	has the meaning ascribed to it under the Listing Rules
“CSRC”	:	China Securities Regulatory Commission
“Directors”	:	directors of the Company
“Extraordinary General Meeting” or “EGM”	:	the extraordinary general meeting of the Company or any adjournment thereof, the notice of which is set out in this circular to approve the Agreement
“Group”	:	the Company and its subsidiaries
“Guangdong Yeasun Law Firm”	:	廣東益商律師事務所, the Company’s PRC lawyer
“HK\$”	:	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	:	the Hong Kong Special Administrative Region of the People’s Republic of China

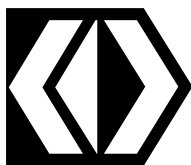
DEFINITIONS

“Latest Practicable Date”	:	Friday, 24 June 2005, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Rules”	:	the Rules Governing the Listing of Securities on the Stock Exchange
“m”	:	million
“Purchaser”	:	Brilliant Idea Investments Limited, a company incorporated in the British Virgin Islands with limited liability and an 85% owned subsidiary of the Company
“PRC”	:	the People’s Republic of China
“Polytec Holdings”	:	Polytec Holdings International Limited, a company incorporated in the British Virgin Islands and a controlling shareholder of the Company
“RMB”	:	Renminbi, the lawful currency of the PRC
“Sellers”	:	深圳市建設投資控股公司 (Shenzhen Construction Investment Holdings) and 深圳市投資管理公司 (Shenzhen Investment Management Corporation), are together, the controlling shareholders of Shenzhen Properties. Both Shenzhen Construction Investment Holdings and Shenzhen Investment Management Corporation are State-owned enterprises owned by the Shenzhen Municipal Government and administered by the State-owned Assets Supervision and Administration Commission of Shenzhen
“Shareholders”	:	holder(s) of Shares
“Shares”	:	ordinary shares of HK\$0.10 each in the issued capital of the Company
“Shenzhen Properties”	:	深圳市物業發展(集團)股份有限公司 (Shenzhen Properties & Resources Development (Group) Limited), a joint stock limited company incorporated in the PRC, the securities of which are listed on the Shenzhen Stock Exchange

DEFINITIONS

“sq.m.”	:	square meter
“Stock Exchange”	:	The Stock Exchange of Hong Kong Limited
“%”	:	per cent

LETTER FROM THE BOARD



九龍建業有限公司

KOWLOON DEVELOPMENT COMPANY LIMITED

(incorporated in Hong Kong with limited liability)

(Stock Code: 34)

Executive Directors:

Mr. OR Wai Sheun (*Chairman*)
Ms. NG Chi Man
Mr. LAI Ka Fai

Registered office:

23rd Floor, Pioneer Centre
750 Nathan Road
Kowloon
Hong Kong

Non-executive Directors:

Mr. Keith Alan HOLMAN (*Deputy Chairman*)
Mr. TAM Hee Chung
Mr. YEUNG Kwok Kwong

Independent Non-executive Directors:

Mr. CHAU Cham Son
Mr. LI Kwok Sing, Aubrey
Mr. LOK Kung Chin, Hardy
Mr. SETO Gin Chung, John

30 June 2005

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION

ACQUISITION OF SHENZHEN PROPERTIES & RESOURCES DEVELOPMENT (GROUP) LIMITED

INTRODUCTION

The Directors announced on 6 April 2005 that the Purchaser had entered into the Agreement under which the Purchaser is to acquire an approximately 70.3% interest in Shenzhen Properties for a cash consideration of RMB458,576,423.93 (equivalent to HK\$432,619,267.86). Shenzhen Properties is a company listed on the Shenzhen Stock Exchange. It is principally engaged in property development, investment and management in the PRC and is also involved in petrol sales, taxi and restaurant operations. Following Completion of the Acquisition, Shenzhen Properties will become a subsidiary of the Company.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with further information on the Agreement and the financial information on Shenzhen Properties and to give you notice of the EGM.

THE AGREEMENT

Parties:

Purchaser	: Brilliant Idea Investments Limited
Purchaser's Guarantor	: Kowloon Development Company Limited
Sellers	: 深圳市建設投資控股公司 (Shenzhen Construction Investment Holdings) and 深圳市投資管理公司 (Shenzhen Investment Management Corporation)
Sellers' Guarantor	: 深圳市投資控股有限公司 (Shenzhen Investment Holdings Limited)

Shenzhen Construction Investment Holdings, Shenzhen Investment Management Corporation and Shenzhen Investment Holdings Limited are State-owned enterprises owned by the Shenzhen Municipal Government and administered by the State-owned Assets Supervision and Administration Commission of Shenzhen.

As at the date of the Agreement, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Sellers and their ultimate beneficial owners are third parties independent of the Company and its connected persons.

THE ASSETS TO BE ACQUIRED

- 323,747,713 State-owned promoter shares in Shenzhen Properties; and
- 57,113,899 domestic legal person shares in Shenzhen Properties.

Shenzhen Properties is a joint stock limited company incorporated in the PRC with a registered share capital of RMB541,799,175. The shares to be acquired by the Purchaser represent approximately 70.3% of the issued share capital of Shenzhen Properties. As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Shenzhen Properties had in issue an aggregate of 541,799,175 shares comprising (a) 323,747,713 State-owned promoter shares; (b) 65,200,850 domestic legal person shares; (c) 91,355,000 listed ordinary shares (A-Shares); (d) 61,459,312 domestic listed foreign shares (B-Shares); and (e) 36,300 non-transferable shares held by senior executives and directors of Shenzhen Properties. Apart from the 36,300 non-transferable shares held by senior executives and directors of Shenzhen Properties, 2,516,800 domestic legal person shares held by a labour union of a subsidiary of Shenzhen Properties on behalf of certain employees, subsidiary and associated companies of Shenzhen Properties and the 380,861,612 shares to be acquired by the Purchaser in the Acquisition, the remainder of the shares including A-Shares and B-Shares in Shenzhen Properties are held by independent shareholders and not connected persons of the Company or Shenzhen Properties. The shares to be acquired by the Purchaser have the same rights as that of the other issued shares i.e. (a) to (e) above in Shenzhen Properties and are not

LETTER FROM THE BOARD

listed but are transferable subject to approval from the relevant PRC authorities including State-owned Assets Supervision and Administration Commission of Shenzhen, the State Council State-owned Assets Supervision and Administration Commission, the State Ministry of Commerce, the PRC State Administration of Foreign Exchange.

The A-Shares and B-Shares are publicly traded shares and are held by public investors. As at 31 December 2004 and the Latest Practicable Date, there were respectively altogether 37,647 and 41,728 holders of publicly traded shares, of which 29,831 and 33,755 were holders of A-Shares and 7,816 and 7,973 were holders of B-Shares. As at 31 December 2004 and the Latest Practicable Date respectively, the top five holders of A-Shares together were interested in approximately 0.58% and 0.95% of the total issued share capital of Shenzhen Properties; while the top five holders of B-Shares together were interested in approximately 0.43% and 0.44% of the total issued share capital of Shenzhen Properties.

RISK FACTORS

The following financial information has been extracted from the accountants' report on Shenzhen Properties as set out in Appendix II to this circular (the "Accountants' Report") prepared by KLL Associates CPA Limited under Hong Kong Financial Reporting Standards ("HKFRSs"):

	2004	2003
	<i>RMB'm</i>	<i>RMB'm</i>
Total revenue	1,326.3	1,079.5
Profits before tax	138.2	187.5
Profits after tax	102.5	142.8
Total assets	2,462.0	2,595.4
Shareholders' equity	775.5	681.6
Earnings per share (<i>RMB</i>)	0.19	0.26
Net Asset Value per share (<i>RMB</i>)	1.43	1.26

We would like to draw your attention that the audited financial statements for the years ended 31 December 2002, 2003 and 2004 prepared in accordance with International Financial Reporting Standards ("IFRSs") and the Accountants' Report (prepared based on the audited financial statements with appropriate adjustments to conform with HKFRSs) have all been qualified by the reporting accountant KLL Associates CPA Limited as they were unable to carry out the necessary auditing procedures to obtain assurance regarding the results and assets and liabilities of certain unconsolidated subsidiaries of Shenzhen Properties as fully disclosed in note 17 on the Accountants' Report (Appendix II). The qualification was made on the basis that the evidence available to them was limited and the management of Shenzhen

LETTER FROM THE BOARD

Properties Group can only provide management accounts of the unconsolidated subsidiaries but no accounting records and supporting vouchers can be provided. As at 31 December 2004, the carrying value of interests in the unconsolidated subsidiaries in the financial statements was RMB5 million. The amount comprises RMB25 million costs of investments less impairment (impairment is made when the share of net assets of the unconsolidated subsidiaries is less than the corresponding investment costs in the subsidiaries), RMB20 million due from and RMB40 million due to these unconsolidated subsidiaries.

Please note that the qualified opinion issued by the reporting accountants, KLL Associates CPA Limited, of Shenzhen Properties for the years ended 31 December 2002, 2003 and 2004 was in respect of the lack of information available to perform a satisfactory auditing process on certain unconsolidated subsidiaries of Shenzhen Properties. Hence, there is no assurance that the amounts presented as interests in unconsolidated subsidiaries in pages 87 to 88 of the Accountants' Report on Shenzhen Properties (Appendix II) are fairly stated. For the years ended 31 December 2002, 2003 and 2004, there were 21, 22 and 19 of these unconsolidated subsidiaries respectively.

The following details have been extracted and summarised from the unaudited management accounts of these unconsolidated subsidiaries:

	At 31 December		
	2004	2003	2002
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total assets	127,896	226,814	315,035
Total liabilities	320,329	346,662	426,857
Net profit/(loss)	(530)	(29,027)	(15,625)

The Company and their PRC legal adviser and reporting accountants have all performed due diligence work including review of company records, accounting records, contracts etc, that are available and if applicable, searches with statutory authorities and made relevant enquiries to the management of Shenzhen Properties with respect to the unconsolidated subsidiaries, to the extent possible, given the lack of information supplied by Shenzhen Properties. The management of Shenzhen Properties have confirmed that, to-date, 18 of the remaining 19 unconsolidated subsidiaries as at 31 December 2004 are dormant with no business activities, while the remaining subsidiary is in the process of being disposed of and hence, under PRC accounting standards, was not required to be consolidated. Status of unconsolidated subsidiaries has been disclosed from pages 8 to 9.

The Directors confirm that the Company has exercised its best endeavor and exhausted all possible means to ascertain information of the unconsolidated subsidiaries for the purposes of preparing the Accountants' Report.

Information of unconsolidated subsidiaries for the year ended 31 December 2004 extracted from the unaudited management accounts of the unconsolidated subsidiaries

Name of unconsolidated subsidiaries	Interest held %	Amount due			Total liabilities	Net profits/ (losses)	Status	Principal activities
		Investment cost	Net book value	from/(to) subsidiaries				
		RMB'000	RMB'000	RMB'000	'000	'000		
深圳深亞環境科學工程開發中心	60	—	—	—	—	—	Dormant during the relevant periods	Environmental construction
深圳市國貿汽車貨運有限公司	100	—	—	—	—	—	Dormant during the relevant periods	Transportation
深圳市國貿汽車實業公司汽配總匯	100	—	—	—	—	—	Dormant during the relevant periods	Sales of parts of motor vehicles
深圳市國貿汽車實業公司汽車修配廠	100	—	—	—	—	—	Dormant during the relevant periods	Motor vehicles repairing
深圳市特速機動車駕駛員培訓中心有限公司	100	2,000	—	—	—	—	Dormant during the relevant periods	Driver training
Shum Yip Properties Development Limited (“Shum Yip”)	100	15,834	—	20,000 (note 2)	HK\$230,822 (note 2)	HK\$(993)	Dormant during the relevant periods	Property investment and investment holding
Wayhang Development Limited (“Wayhang”)	100	—	—	—	HK\$34,106 (note 3)	HK\$441	Dormant during the relevant periods	Property development
Chief Link Properties Limited (“Chief Link”)	70	—	—	—	HK\$2,088 (note 5)	HK\$(8)	Dormant during the relevant periods	Property development
Syndis Investment Company Limited (“Syndis”)	70	—	—	—	HK\$816 (note 6)	HK\$(8)	Dormant during the relevant periods	Property development
Chatswood Investment & Development Co. Pty.	100	N/A	N/A	N/A	N/A	N/A	Dormant and liquidated in 2004	Property development
East Land Properties Limited (“East Land”)	100	—	—	—	HK\$7,134 (note 7)	HK\$(3)	Dormant during the relevant periods	Property development
深圳市物業工程建設監理公司	100	2,000	—	—	RMB881	—	Will be disposed, but the procedure of shareholding transfer is still undergoing	Property development consultancy services

LETTER FROM THE BOARD

Name of unconsolidated subsidiaries	Amount due					Principal activities				
	Interest held %	Investment cost RMB '000	Impairment RMB '000	Net book value RMB '000	from/(to) subsidiaries RMB '000					
				Total assets '000	Total liabilities '000	Net profits/(losses) '000	Status			
深圳市房產交易所	100	1,380	552	828	—	RMB371	RMB262	—	Will be disposed, but the procedure of shareholding transfer is still undergoing	Property development
深圳市國貿商場有限公司	100	12,000	6,184	5,816	—	RMB9,405 (note 9)	RMB1,509 (note 10)	—	Dormant since 2004	Sales of general merchandise
深圳國貿貿易中心	100	—	—	—	—	—	—	—	Dormant during the relevant periods	Trading
惠陽市深惠發展公司	100	—	—	—	—	RMB440	RMB8,622 (note 11)	RMB75	Dormant during the relevant periods	Property development
深圳國貿廣場物業發展有限公司	70	36,712	18,739	17,973	(39,521)	RMB447	RMB447	—	Dormant since 2003 and is in the process of liquidation	Property development and investment
深圳市龍耀房地產開發公司	100	28,184	28,184	—	—	—	—	—	Dormant during the relevant periods	Property development
深圳市物業發展集團湛江分公司	100	2,530	2,530	—	—	RMB1,469 (note 12)	RMB2,534 (note 13)	—	Dormant during the relevant periods	Property development
深杉公司	100	18	18	—	—	—	—	—	Dormant during the relevant periods	Dormant
大連深圳物業發展有限公司	100	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Dormant during the relevant periods and liquidated in 2004	Property development
南京深圳物業發展有限公司	100	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Dormant during the relevant periods and liquidated in 2004	Property development
深圳市物業建築設計公司	100	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Dormant during the year of 2002 and disposed in 2003	Property development
Total		100,658	76,041	24,617	(19,521)	HK\$108,380 RMB13,013	HK\$289,580 RMB13,374	HK\$(571) RMB75		

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Notes:

1. The total assets of HK\$64,236,000 of Shum Yip mainly represented amount due from subsidiary (“Wayhang”) of HK\$54,282,000, land and buildings of HK\$8,304,000 and cash and bank of HK\$1,030,000.
2. The total liabilities of HK\$230,822,000 of Shum Yip mainly represented loan from ultimate holding company (“Shenzhen Properties”) of HK\$117,879,000 (of which RMB109,835,000 impairment had been already provided by Shenzhen Properties), loan from a fellow subsidiary of HK\$102,575,000, amounts due to subsidiaries (“Chief Link” & “Syndis”) of HK\$2,603,000 and amount due to a fellow subsidiary (“East Land”) of HK\$7,118,000.
3. The total assets of HK\$34,106,000 of Wayhang Development Limited mainly represented property under development of HK\$33,639,000.
4. The total liabilities of HK\$54,302,000 of Wayhang mainly represented amount due to immediate holding (“Shum Yip”) of HK\$54,282,000.
5. The total assets of HK\$2,088,000 of Chief Link mainly represented amount due from immediate holding company (“Shum Yip”) of HK\$1,824,000.
6. The total assets of HK\$816,000 of Syndis mainly represented amount due from immediate holding company (“Shum Yip”) of HK\$779,000.
7. The total assets of HK\$7,134,000 of East Land mainly represented amount due from a fellow subsidiary (“Shum Yip”) of HK\$7,118,000.
8. The total liabilities of HK\$4,426,000 of East Land mainly represented amount due to holding company (“Shenzhen Properties”) of HK\$4,416,000 which had been fully provided by Shenzhen Properties.
9. The total assets of RMB9,405,000 of 國貿商場 mainly represented other receivables of RMB6,500,000, cash and bank and investment of RMB1,513,000 and investment in securities of RMB1,390,000.
10. The total liabilities of 國貿商場 represented other payables of RMB1,509,000.
11. The total liabilities of RMB8,622,000 of 深惠 mainly represented accounts payable of RMB8,532,000.
12. The total assets of RMB1,469,000 of 湛江分公司 mainly represented other receivables of RMB752,000.
13. The total liabilities of RMB2,534,000 of 湛江分公司 represented other payables.

Given the fact that the Purchaser currently has no control of the board and management of Shenzhen Properties, the Company cannot provide a realistic estimate at this stage as to the timeframe necessary to clean up the subsidiaries of Shenzhen Properties that are not to be consolidated in the future. The Company will consolidate or liquidate the unconsolidated subsidiaries, where appropriate. Depending on whether there are underlying assets that would be beneficial to the Enlarged Group, dormant subsidiaries will not be consolidated but liquidated. The Company will take appropriate steps to arrange for the above in a timely manner after the Completion of the Acquisition. The process for liquidation and de-registration in the PRC involves a strenuous process which includes approval to liquidate and de-register from the board of directors of the relevant company, publication in a widely circulated newspaper/media of such action, and clean up of all assets and liabilities, taking 6 to 9 months’ time. Completion of liquidation and de-registration can only be processed 3 months after the publication in newspaper/media.

In respect of the current account with the unconsolidated subsidiaries, the Group intends to maintain the account after the Completion of the Acquisition. Regular assessment on the recoverability of amounts due will be performed to ascertain whether any provision is necessary.

The Directors are of the view that the qualified opinion issued by the reporting accountant, KLL Associates CPA Limited, in respect of the audited financial statements of Shenzhen Properties for the years ended 31 December 2002, 2003 and 2004 prepared in accordance with IFRSs did not relate to matters of significance to investors. Directors have assessed the relevant risks based on the following rationale.

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- I. Shenzhen Properties is a company listed on the Shenzhen Stock Exchange since 1992. The financial statements of Shenzhen Properties are prepared in accordance with generally accepted accounting principles in PRC (“PRC GAAP”) and have been duly audited and reviewed by qualified professionals, Wuhan Zhong Huan Certified Public Accountants Company Limited in accordance with independent auditing standards in the PRC with unqualified opinion. No consolidation needs to be made on subsidiaries that are dormant or about to be disposed which is in accordance with PRC GAAP.
- II. The Sellers, 深圳市建設投資控股公司 (Shenzhen Construction Investment Holdings) and 深圳市投資管理公司 (Shenzhen Investment Management Corporation), are both State-owned enterprises owned by the Shenzhen Municipal Government and administered by the State-owned Assets Supervision and Administration Commission of Shenzhen. In this respect, the Company is of the view that effectively, the seller of this Acquisition is the Shenzhen Municipal Government. In accordance with the Agreement and as advised by Guangdong Yeasun Law Firm, the Company and/or the Purchaser are entitled to seek damages from the Sellers, should the Company and/or the Purchaser suffer any loss as a result of misrepresentations of and omission from the audited accounts of Shenzhen Properties inclusive of unrecorded liabilities of the unconsolidated subsidiaries. Sellers also undertake that apart from the liabilities disclosed in Shenzhen Properties’ financial statements, Shenzhen Properties and its subsidiaries do not have other material unknown liabilities, contingent liabilities or other matters that are detrimental to the interests of Shenzhen Properties’ shareholders. Guangdong Yeasun Law Firm has also provided a legal opinion dated 26 May 2005 to the Company to this effect.
- III. To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, no guarantee has been provided in respect of the unconsolidated subsidiaries.
- IV. The Acquisition was announced on 6 April 2005, and to-date neither the management of Shenzhen Properties nor the Company had received claims from any creditors of the unconsolidated subsidiaries of Shenzhen Properties. The Company believes that if a claim was to be made against Shenzhen Properties and/or its subsidiaries, it would have been made by now after extensive publicity of the Acquisition in both Hong Kong and the PRC. Therefore, the Directors are positive that the risks associated with the qualified Accountants’ Report and any unrecorded liabilities in the unconsolidated subsidiaries are minimal.

Furthermore, as stated in the Accountants’ Report, Shenzhen Properties have certain contingent liabilities pending litigation processes. After extensive review on the information provided and having made extensive enquiries with the management of Shenzhen Properties, the Directors are of the view that sufficient disclosures has been made for such contingent liabilities as detailed in the Accountants’ Report on Shenzhen Properties and such contingent liabilities constitute all litigation of material importance of Shenzhen Properties. The Directors are positive in view of the legal opinion from Guangdong Yeasun Law Firm as to the level of

LETTER FROM THE BOARD

disclosures in the said Accountants' Report and the financial risks potentially faced by the Company given the legal protection the Company has under the Agreement. The risks are considered minimal.

Details of all Shenzhen Properties' material contingent liabilities pending litigation processes are provided hereunder:

- (1) Shenzhen Properties and one of its wholly-owned subsidiaries are defendants in a law suit in 1999 in respect of a claim for breach of contract of sale and purchase of real properties on the part of Shenzhen Properties Group by virtue of its failure to complete the transaction by proper transfer of title of the properties concerned on schedule as contracted. The Provincial High Court of Guangdong has declared and re-affirmed its final ruling against Shenzhen Properties and ruled a total compensation of approximately HK\$79 million (or approximately RMB84 million) would need to be paid to the plaintiffs. Shenzhen Properties has appealed to the People's Supreme Court, and as a prerequisite condition of the appeal, submitted to the court a voluntary order of restriction on certain of Shenzhen Properties Group's real properties assets of a carrying value on the balance sheet as at 31 December 2004 of approximately RMB40 million which, in the opinion of Shenzhen Properties's directors, are of a realisable value sufficient to cover the compensation as imposed by the lower court decision. A provision of approximately RMB42 million has been made for the loss under such case. The properties concerned was assessed by the court with a value of RMB79 million of which book value at 31 December 2004 was RMB40 million. Should the concerned properties be taken out as compensation, the provision of RMB42 million represented a full provision for the case. As at the Latest Practicable Date, the appeal to the Supreme Court is still in progress.
- (2) A court case against Shenzhen Properties in 2000 in relation to delay in delivery of real properties was finalised and according to the court decision Shenzhen Properties have to refund to the plaintiff the whole of the purchase consideration for the properties concerned in the amount of RMB10.8 million plus interest accrued. A provision for such compensation of approximately RMB8 million has been made accordingly. Shenzhen Properties has appealed to the People's Supreme Court and a hearing was held on 18 January 2005. As at the Latest Practicable Date, no judgment has been made.
- (3) A subsidiary of Shenzhen Properties received a claim in relation to the delay in delivery of real properties and title deeds. The plaintiff's claim was for an amount of RMB4.2 million. The case was heard by the Shenzhen Intermediate Court on 21 February 2005. Judgement was given on 1 June 2005 in favour of the subsidiary of Shenzhen Properties as concrete evidence were provided to court. The Plaintiff had lately submitted appeal to judgement. The directors of Shenzhen Properties are of the opinion, after consulting the company's lawyer, that the claim is unfounded on the ground that there is concrete evidence which proves contrary to the claim and expect that judgement will continue to be in the subsidiary's favour, and will not suffer any loss from such claim. Accordingly, no provision has been made in respect of this case.

LETTER FROM THE BOARD

- (4) Shenzhen Properties provided guaranteed for a third party, 金田實業(集團)股份有限公司, on bank loans of approximately RMB8.6 million. The loans were in default and the bank had taken legal action against the borrower and Shenzhen Properties to recover the loan principal and interest accrued. The court has placed a closing order on certain of Shenzhen Properties Group's long term equity investments for this purpose. The carrying value of such investment as at 31 December 2004 was approximately RMB5.8 million. A provision of RMB8.6 million has been made for loss under this case.

THE PROPERTY PORTFOLIO OF SHENZHEN PROPERTIES

The following are the principal property interests of Shenzhen Properties as at 31 December 2004:

Land held for development:	Huangguang Land: located in Huanggang Port in Shenzhen which can be built into residential and commercial properties with a gross floor area of approximately 177,100 sq.m.
	Haidian Island Site: located in Haikou City in Hainan Island which can be built into residential properties with a gross floor area of approximately 28,900 sq.m.
	Donggualing Site: located in Shenzhen which can be built into residential properties with a gross floor area of approximately 26,400 sq.m.
Projects under development:	皇御苑 (Huang Yu Yuan) District C: a residential development located in Huanggang Port in Shenzhen with a total gross floor area of approximately 131,500 sq.m. which is expected to be completed in 2007.
	風和日麗 (Fenghe Rili) Group B: a residential development located in Longhua Town in Shenzhen with a total gross floor area of approximately 88,200 sq.m. which is expected to be completed in 2007.
Stock of completed development projects:	皇御苑 (Huang Yu Yuan) District A & B: residential units with gross floor area of approximately 47,000 sq.m.
	皇城廣場 (Huang Cheng Square): a residential and commercial project located in Huanggang Port with a total gross floor area of approximately 35,300 sq.m.

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田園都市 (Shanghai Pastoral City) Phase 5: a residential development located in Minhang District in Shanghai with a gross floor area of approximately 800 sq.m.

俊峰麗舍 (Junfeng Lishe Garden): a residential development in Shenzhen with a gross floor area of approximately 34,000 sq.m.

Investment properties:

Shenzhen International Trade Center: located in Luohu District in Shenzhen, with a total retail area of approximately 22,100 sq.m. and total office area of approximately 8,500 sq.m.

Guomau Commercial Building: located in Luohu District in Shenzhen, with a total office area of approximately 17,700 sq.m.

Tianan International Building: A 50% interest in this property which is located in Luohu District in Shenzhen with a total retail area of approximately 21,700 sq.m. and total office area of approximately 8,400 sq.m.

CONSIDERATION

RMB458,576,423.93 (equivalent to approximately HK\$432,619,267.86) or approximately RMB1.204 for each of the 323,747,713 state-owned promoter shares and 57,113,899 domestic legal person shares in Shenzhen Properties proposed to be acquired by the Purchaser. The consideration per share of RMB1.204 represents:

- i. a discount of approximately 74.3% and 51.6% to the closing price of the A-Shares of RMB4.69 and B-Shares of HK\$2.35 respectively as quoted on the Shenzhen Stock Exchange on 31 March 2005, being the last full trading date prior to suspension of trading in such shares on 1 and 4 April 2005;
- ii. a discount of approximately 70.4% and 48.1% respectively to the average of the closing prices of the A-Shares of RMB4.07 and of the B-Shares of HK\$2.19 as quoted on the Shenzhen Stock Exchange for the last 10 trading days ended on 31 March 2005;
- iii. a discount of approximately 72.6% and 50% respectively to the average of the closing prices of the A-Shares of RMB4.39 and of the B-Shares of HK\$2.27, as quoted on the Shenzhen Stock Exchange for the last 30 trading days ended on 31 March 2005; and
- iv. a discount of approximately 73.9% and 56.4% to the closing price of the A-Shares of RMB4.61 and B-Shares of HK\$2.60 respectively as quoted on the Shenzhen Stock Exchange on Friday, 24 June 2005, being the Latest Practicable Date.

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The terms of the Agreement including the consideration have been reached and determined on an arm's length basis, with reference to the prevailing market conditions in the PRC and the underlying net asset value as at 31 December 2004 of each share in Shenzhen Properties of approximately RMB1.047 per share (calculated based on all shares in issue including State-owned promoter shares, domestic legal person shares, listed ordinary shares (A-Shares), listed foreign shares (B-Shares) and non-transferable shares held by senior executives and directors of Shenzhen Properties) as shown in its 2004 annual report. The consideration of RMB1.204 per share represents a 15% premium to the net asset value of each share of approximately RMB1.047 in Shenzhen Properties as at 31 December 2004 and with reference to the latest published quarterly financial information as at 31 March 2005. The Directors consider that the consideration is fair and reasonable to the Company and the Acquisition is in the interests of the Shareholders as a whole.

PAYMENT TERMS

- An earnest money in the sum of RMB20,000,000 was paid before signing of the Agreement.
- A deposit representing 50% of the aggregate consideration shall be payable within 5 working days of the date of the Agreement. Within 5 working days of receiving this amount, half of the earnest money shall be repaid by the Sellers to the Purchaser. The remainder of the earnest money of RMB10 million shall be treated as a performance bond for certain future undertakings of the Purchaser in relation to the potential acquisition by Shenzhen Properties of attractive investment projects as mentioned below.
- The balance of the consideration will be paid by the Purchaser to the Sellers within 5 working days of the issue by the Sellers of a notice for payment. Such notice shall be issued after the relevant PRC regulatory approval(s) has been obtained, and the waiver has been obtained from the CSRC or upon completion of the obligations of the Purchaser to make a general offer for the remaining shares of Shenzhen Properties. If the Agreement is terminated prior to Completion, the Purchaser is not obliged to pay the balance of the consideration.
- As at the Latest Practicable Date, half of the consideration amounting to RMB229,288,212 has been paid to the Sellers and half of the earnest money of RMB10 million has been repaid by the Sellers. Mr. Lau Wai Chi ("Mr. Lau") who beneficially owns 15% of the issued shares of the Purchaser, has already contributed RMB34,393,232 (being his 15% share of the 50% consideration) towards half of the consideration paid by the Purchaser to the Sellers in the sum of RMB229,288,212. Mr. Lau and the Company will pay their share of the balance of the consideration, being RMB34,393,232 and RMB194,894,980 respectively, when payment of the balance of the consideration falls due as mentioned in the paragraph above. The Company and Mr. Lau currently have no formal agreement in respect of defaults by any of the parties. In the event that Mr. Lau fails to pay his share of the balance of the consideration, it is expected that the Company will first pay

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for his share of the consideration and then seek reimbursement from Mr. Lau. Based on the bank reference letter provided by Mr. Lau which has stated the level of banking facilities granted and period of relationship, the Directors are of the view that Mr. Lau has sufficient funding available to fulfill his obligations and it is highly unlikely that Mr. Lau will default on his contribution to his share of the consideration.

- If the Agreement is terminated, the amounts constituting 50% of the aggregate consideration being RMB229,288,212 that has been paid under the Agreement and the remaining RMB10 million earnest money will be refunded to the Purchaser without interest, subject to deductions, if any, of any penalty stated under “Financial Support and Undertakings” below.

CONDITIONS PRECEDENT AND REGULATORY APPROVALS

The Acquisition constitutes a very substantial acquisition of the Company under Chapter 14 of the Listing Rules which requires the approval of the Shareholders at the EGM. In addition, according to Guangdong Yeasun Law Firm, the Agreement will become effective after the necessary regulatory approvals have been obtained from State-owned Assets Supervision and Administration Commission of Shenzhen, the State Council State-owned Assets Supervision and Administration Commission, the State Ministry of Commerce and the PRC State Administration of Foreign Exchange and a letter of no objection to the Acquisition has been obtained from the CSRC. Subject to the procedures as stated in the section “Completion” of this Circular, the Purchaser will become a shareholder of Shenzhen Properties. If the Acquisition is not approved by the aforesaid regulatory authorities, the Agreement will be terminated and all consideration and the RMB10 million performance bond paid will be refunded to the Purchaser. Applications have been made to the relevant PRC regulatory authorities and the relevant actions have been carried out to ensure the relevant approvals will be obtained. Once the relevant approvals are obtained, the application to seek a waiver from the CSRC in relation to making a general offer will be submitted. Half of the consideration being RMB229,288,212, and RMB10 million performance bond has been paid before the necessary regulatory approvals have been obtained. **Shareholders should note that there is no certainty that the necessary regulatory approvals can be obtained. Accordingly, there is no certainty that the Acquisition will be completed. The Company will make announcement if the necessary approval from the PRC regulatory authorities cannot be obtained or the Agreement is terminated for any other reasons.**

FINANCIAL SUPPORT AND UNDERTAKINGS

The Purchaser has undertaken that within 6 months of the date of Completion, it will procure that Shenzhen Properties will be provided with working capital in the amount of RMB500 million. The working capital will be provided by the Company and Mr. Lau in proportion to their shareholding interest in the Purchaser for the purpose of strengthening the financial position of Shenzhen Properties and enable it to pursue its development activities at an enhanced pace. Given that Shenzhen Properties will become a 59.76% owned subsidiary of the Company

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and that no connected person of the Company and the Purchaser is interested in 10% or more of the voting power of Shenzhen Properties and Shenzhen Properties is not an associate of a Director, chief executive or substantial shareholder of the Company, or any person who was a Director within the preceding 12 months, the provision of the working capital to Shenzhen Properties will be regarded as financial assistance but exempted under Rule 14A.11(5) the Listing Rules. In addition, the Purchaser has undertaken that it will identify attractive investment projects with quality and positive investment returns in the PRC to be acquired by Shenzhen Properties with a gross value of not less than RMB500 million within 12 months of the date of Completion failing which the Purchaser will have to pay penalty to be deducted from the RMB10 million earnest money retained by the Sellers as performance bond. The amount of the penalty will be calculated based on the extent of the unfulfilment of the Purchaser's obligation to identify RMB500 million of attractive investment projects in the PRC to be acquired by Shenzhen Properties; and any remaining balance of the RMB10 million performance bond will be refunded to the Purchaser within one month after one year of the transfer of the 70.3% issued shares in Shenzhen Properties from the Sellers. Pursuant to the Agreement, the Purchaser has undertaken to hold the shares in Shenzhen Properties acquired under the Agreement for a period of not less than 3 years. In the event that the aforesaid undertakings cannot be fulfilled, administrative penalty may be imposed by the relevant PRC regulatory authority(s) as advised by the PRC lawyer Guangdong Yeasun Law Firm. In the event that the undertakings cannot be fulfilled, the Company is not certain as to what administrative penalty may be imposed on it or the Purchaser as advised by Guangdong Yeasun Law Firm. The administrative penalty may take the form of censure or criticism and not money. The PRC regulatory authority(s) could be CSRC or any one or more of the PRC authorities responsible for approving the Acquisition stated in "Conditions Precedent and Regulatory Approvals" above.

Pursuant to the Agreement, the Purchaser and the Company have undertaken to give a guarantee in the amount of RMB20 million in favour of an affiliated financial institution of the Sellers against the borrowings of Shenzhen Properties to replace a comparable guarantee currently provided by one of the Sellers upon transfer of the shares of Shenzhen Properties which are the subject of the Acquisition. The guarantee is for the purpose of taking over the obligations of one of the Sellers by the Purchaser as a major shareholder to provide working capital to Shenzhen Properties. As Shenzhen Properties will become a subsidiary of the Purchaser upon Completion, the provision of the guarantee should not be regarded as an advance to an entity under the Listing Rules. The borrowings of Shenzhen Properties under this guarantee was about RMB13 million as at the Latest Practicable Date. Under the Agreement, no other security is required to be provided by the Company in this regard.

Each of the Company and the Sellers' Guarantor the Sellers undertakes to the other that in the event that the Purchaser or the Sellers, as the case may be, cannot fulfill their obligations under the Agreement, the Company or the shareholder of the Sellers, as the case may be, will fulfill such rights and obligations. If the Company or Sellers' Guarantor failed to perform their obligations under the Agreement, the defaulting party will be liable to pay a penalty in the amount of approximately RMB22.9 million and/or any loss or damages incurred by the other party as disclosed in the following paragraph.

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Pursuant to the Agreement, if the Agreement is terminated without cause by any party to the Agreement, such party shall be liable to pay a penalty to the other party of approximately RMB22.9 million plus any loss or damages incurred by the other party. However, if the Agreement is terminated due to any party's failure to perform its obligations under the Agreement, the defaulting party shall be responsible for any loss or damages incurred by the other party as a result thereof. If both the Purchaser and the Sellers are in default, each defaulting party shall be responsible for its own liabilities arising therefrom. Further, if the Purchaser fails to pay the consideration contemplated under the Agreement for a period exceeding 30 days, the Sellers are entitled to terminate the Agreement and the Purchaser is also liable to pay a penalty of not exceeding approximately RMB22.9 million to the Sellers. The amount of RMB22.9 million has been determined on the basis of 5% of the aggregate consideration under the Agreement and was determined under usual commercial terms after arm's length negotiations. Subject to the above, if the Agreement is terminated, the amounts constituting 50% of the consideration amounting to RMB229,288,212 that has been paid under the Agreement and the RMB10 million performance bond, after deducting penalty, if any, will be refunded to the Purchaser without interest.

COMPLETION

Within 5 working days after payment of the balance of the 50% of the aggregate consideration which will take place after the relevant PRC regulatory approvals has been obtained, and the waiver has been obtained from the CSRC or upon completion of the obligations of the Purchaser to make a general offer for the shares of Shenzhen Properties, the Sellers will arrange for the transfer of the 70.3% of the issued shares in Shenzhen Properties to the Purchaser and the registration of such transfer with the Shenzhen Administration for Industry and Commerce.

TAKEOVER OBLIGATIONS

As the A-Shares and B-Shares of Shenzhen Properties are listed on the Shenzhen Stock Exchange, upon all necessary regulatory approvals being obtained for the Acquisition, the Purchaser will be obliged to make a general offer for the remaining shares in Shenzhen Properties other than those to be acquired by the Purchaser. The Purchaser intends to apply to the CSRC for a waiver from the obligation to make a general offer for the remaining shares in Shenzhen Properties. In the event that the waiver is not granted by the CSRC by way of a no-comment letter, the Purchaser will be obliged to make a general offer for the remaining issued shares comprising domestic legal person shares, listed ordinary (A-Shares), domestic listed foreign shares (B-Shares) and non-transferable shares held by senior executives and directors of Shenzhen Properties apart from the 70.3% issued shares in Shenzhen Properties proposed to be acquired by the Purchaser. Taking the Latest Practicable Date as a reference date for determining the offer price in accordance with rules set by the CSRC, the Directors estimate that such general offer will result in additional cash expenditure of approximately RMB528.5 million if all the remaining shareholders accept the offer. The Directors hereby confirm that the Company will have sufficient resources to pay for its share of the cash expenditure, being 85% of RMB528.5 million, that is, RMB449.2 million required for the general offer if an exemption cannot be obtained from the CSRC.

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A further announcement will be made by the Company upon the decision by the CSRC on whether the waiver will be granted.

SOURCE OF FUNDING

The Group intends to finance the Acquisition from internal resources and bank borrowings. In the event that the Group is required to provide RMB500 million for the working capital of Shenzhen Properties and/or make a general offer for the remaining shares in Shenzhen Properties as mentioned above, such funds (amounting to approximately RMB1.5 billion) shall be financed by Mr. Lau Wai Chi and by internal resources and/or bank borrowings of the Group in portion of their shareholding interest in the Purchaser. No detailed plans as to the apportionment of such amounts between internal resources and bank borrowings have been determined by the Board.

The 15% minority shareholder of the Purchaser will contribute his share of funding required.

FINANCIAL EFFECT OF THE ACQUISITION

Upon Completion, Shenzhen Properties will be effectively owned as to 59.76% by the Group. According to the accounting policies of the Group, the Group's interest in Shenzhen Properties is consolidated in the pro forma consolidated balance sheet of the Enlarged Group as stated in Appendix III to this circular less minority interest. As shown in the "Unaudited pro forma consolidated income statement of the Enlarged Group" in Appendix III to this circular, the Enlarged Group would earn a profit of HK\$376.0 million for the year ended 31 December 2004.

The unaudited pro forma financial information of the Enlarged Group is set out in Appendix III, after taking into account the effect of the Acquisition.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Directors are optimistic on the long-term prospects of the property market in China, especially projects in major cities with prime location. The Acquisition represents a major step for the Group in pursuing a proactive strategy in expanding into the China property market. Shenzhen Properties possesses a portfolio of quality investment and development properties in prime locations with a few located, in Shenzhen, Shanghai and Hainan which comprises of both residential and commercial properties and a team of professional management familiar with the property market and property development in China enabling the Group to speed up its development in the China market in a safe and healthy manner.

Regarding government measures recently adopted in the PRC in connection with property transactions, the Directors are of the view that such measures will cause short term adjustment in prices of properties in major cities, especially in Shanghai, but they will provide opportunities for the Group to further acquire land and properties in different cities in the PRC at more reasonable prices for long term development, and hence will be beneficial to the Group in the long run.

LETTER FROM THE BOARD

The Group intends to maintain the listing status of Shenzhen Properties and utilise it as the flagship entity for developing the China property market and other investments in China.

The terms of the Agreement were negotiated on an arm's length basis and were made on normal commercial terms. The Directors consider that the terms of the Agreement are fair and reasonable to the Company and in the interests of the Shareholders as a whole.

INFORMATION ON THE COMPANY AND THE PURCHASER

The Group is principally engaged in property development and investment, property management, financial services and investments in Hong Kong and Macau, as well as local and overseas financial investments. The Purchaser is an 85% owned subsidiary of the Company. The remaining 15% interest in the Purchaser is beneficially owned by Mr. Lau Wai Chi, an independent third party not connected with the Group and its connected persons as well as Shenzhen Properties and its controlling shareholders. Mr. Lau is a personal friend of a Director who has introduced the Acquisition to the Company. Mr. Lau does not hold any interest in the Company. All considerations paid by the Purchaser relating to the Acquisition (including the financing undertakings and expenditure for the general offer) shall be financed between the shareholders of the Purchaser pro rata to their shareholding interests. Save for the entering into of the Agreement, the Purchaser does not have other material assets.

INFORMATION ON THE SELLERS

The Sellers are State-owned enterprises owned by the Shenzhen Municipal Government and administered by the State-owned Assets Supervision and Administration Commission of Shenzhen. The Sellers were engaged in investment holdings and the administration of State-owned assets of the Shenzhen Municipal Government and they operate primarily within Shenzhen.

SHAREHOLDERS' APPROVAL

The Acquisition constitutes a very substantial acquisition of the Company under Chapter 14 of the Listing Rules which requires the approval of the Shareholders at the EGM. The Directors confirm that, to the best of their knowledge, information and belief having made all reasonable enquiries, no Shareholder will be required to abstain from voting at the EGM.

Intellinsight Holdings Limited, a Shareholder holding approximately 62.25% of the issued Shares and which is ultimately and wholly owned by a discretionary trust of which Mr. Or Wai Sheun (the Chairman of the Company and an Executive Director), Ms. Ng Chi Man (an Executive Director), and their family members are beneficiaries, has stated that it intends to vote in favour of the resolution to approve the Acquisition; and it can exercise control over the voting rights of the 62.25% issued Shares of the Company. Intellinsight Holdings Limited has the same interest in the Acquisition as the other Shareholders.

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Shareholders and potential investors should note that the Acquisition, which is subject to a number of regulatory approvals in the PRC, may or may not be completed. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

EGM

A notice convening the EGM to be held at the Crystal Ballroom, Basement 3, Holiday Inn Golden Mile Hong Kong, 50 Nathan Road, Kowloon, Hong Kong on Wednesday, 20 July 2005 at 11:00 a.m. or any adjournment thereof is set out on pages 269 to 270 of this circular for the purpose of considering and, if thought fit, passing, inter alia, the resolution in respect of the Acquisition.

A form of proxy for use by the Shareholders at the EGM is enclosed. Whether or not you are able to attend the meeting in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the share registrar of the Company, Computershare Hong Kong Investor Services Limited on 46th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding such meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM should you so wish.

PROCEDURES BY WHICH SHAREHOLDERS MAY DEMAND POLL

Article 75 of the articles of association of the Company sets out the procedure by which Shareholders may demand a poll:

At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded:

- (i) by the Chairman of the meeting; or
- (ii) by at least three Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or
- (iii) by any Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or
- (iv) by a Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and holding Shares in the Company conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to and not less than one-tenth of the total sum paid up on all the Shares conferring that right.

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Unless a poll be so demanded and not withdrawn, a declaration by the Chairman that a resolution has on a show of hands been carried or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the book containing the minutes of the proceedings of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour or against such resolution.

RECOMMENDATION OF THE BOARD

The Directors (including the Independent Non-executive Directors) consider that the terms of the Agreement are fair and reasonable, and the Agreement is in the interests of the Company and the Shareholders as a whole. The Directors therefore recommend the Shareholders to vote in favour of the resolution to approve the Agreement at the EGM.

FURTHER INFORMATION

Your attention is drawn to the financial information on the Group and Shenzhen Properties, the valuation report on the property interests of Shenzhen Properties and the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board
Or Wai Sheun
Chairman

1. SHARE CAPITAL

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

Authorised:

HK\$

<u>1,000,000,000</u>	Shares as at the Latest Practicable Date	<u>100,000,000.00</u>
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Issued and fully paid:

<u>566,767,850</u>	Shares in issue as at the Latest Practicable Date	<u>56,676,785.00</u>
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All the existing issued Shares rank pari passu in all respects including all rights as to dividends, voting and capital. On 19 January 2004, an aggregate of 83,000,000 Shares were issued as a result of a placing and top-up subscription of new Shares at a price of HK\$6.85 per Share. Save as the aforesaid, there have been no changes to the authorised and issued share capital of the Company since 31 December 2004 (being the end of the last financial year of the Company).

Under share option scheme adopted by the Company on 21 May 2003 (the “Share Option Scheme”), the Directors may, at their discretion, invite employees of the Group, including the Directors and other persons, to take up options to subscribe for Shares, subject to the terms and conditions stipulated therein, which, when aggregated with any other scheme, may not exceed 10% of the issued share capital of the Company as at 21 May 2003, being the date of adoption of the Share Option Scheme. The Company has not granted any options pursuant to the Share Option Scheme since its adoption. As at the Latest Practicable Date, there were no options outstanding pursuant to the Share Option Scheme.

Save as disclosed herein, no share or loan capital of the Company has been put under option or agreed conditionally or unconditionally to be put under option and no warrant or conversion right affecting the Shares has been issued or granted or agreed conditionally, or unconditionally to be issued or granted.

Save as disclosed above, the Company has no options, warrants and conversion rights convertible into Shares. Save as disclosed above, no share or loan capital of the Company has been issued or is proposed to be issued for cash or otherwise and no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any such capital.

The Shares are listed on the Stock Exchange. Apart from the Shares, no part of the securities of the Company is listed or dealt in, nor is listing or permission to deal in the securities of the Company being or proposed to be sought, on any other stock exchange.

2. SUMMARY OF THREE YEARS FINANCIAL RESULTS

The following is a summary of the audited financial information of the Group for the three financial years ended 31 December 2002, 2003 and 2004. The accounts of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants.

Consolidated Income Statement

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Turnover	773,425	673,812	591,157
Other revenue	6,518	4,061	7,444
Depreciation expenses	(468)	(567)	(1,273)
Staff costs	(37,824)	(31,432)	(31,503)
Cost of inventories	(350,419)	(384,776)	(319,637)
Other operating expenses	(56,983)	(24,934)	(44,935)
Profit from operations	334,249	236,164	201,253
Finance costs	(6,169)	(11,036)	(7,580)
Share of profits less losses of associated companies	12,889	7,496	2,373
Profit on disposal of investment in a subsidiary	0	0	49
Profit on disposal of investment in associated companies	0	0	589
Impairment loss on goodwill of an associated company previously charged against investment revaluation reserve	0	0	(4,000)
Profit/(Loss) on disposal of investment in securities	0	2,399	(4,792)
Profit before tax	340,969	235,023	187,892
Income tax	(38,141)	(33,480)	(30,497)
Profit after tax	302,828	201,543	157,395
Minority interest	268	(43)	(1,541)
Profit attributable to shareholders	<u>303,096</u>	<u>201,500</u>	<u>155,854</u>
Dividends			
— interim	39,674	29,026	24,188
— final	141,692	124,689	96,754
	<u>181,366</u>	<u>153,715</u>	<u>120,942</u>

Consolidated Balance Sheet

	2004	2003	2002
	HK\$'000	HK\$'000	HK\$'000
Non-Current Assets	4,960,506	4,745,993	4,413,490
Current Assets	1,657,069	1,145,036	922,351
Total Assets	6,617,575	5,891,029	5,335,841
Current Liabilities	(1,182,089)	(668,863)	(755,197)
Non-Current Liabilities	(1,180,517)	(1,933,917)	(1,335,272)
Minority Interests	(1,208)	(1,476)	(2,183)
Net Assets	4,253,761	3,286,773	3,243,189
Share Capital	56,677	48,377	48,377
Reserves	4,197,084	3,238,396	3,194,812
Shareholders' Equity	4,253,761	3,286,773	3,243,189

3. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

The following is a summary of the audited consolidated income statement and consolidated cash flow statement of the Group for the two years ended 31 December 2003 and 2004, the audited consolidated balance sheet of the Group as at 31 December 2003 and 31 December 2004 together with accompanying notes extracted from the audited financial statement of the Company:

Consolidated Income Statement

For the year ended 31 December

(Expressed in Hong Kong dollars)

	<i>Note</i>	2004 \$'000	2003 \$'000
Turnover	2	773,425	673,812
Other revenue		6,518	4,061
Depreciation		(468)	(567)
Staff costs		(37,824)	(31,432)
Cost of inventories		(350,419)	(384,776)
Other operating expenses		(56,983)	(24,934)
Profit from operations		334,249	236,164
Finance costs	3(a)	(6,169)	(11,036)
Share of profits less losses of associated companies	3(c)	12,889	7,496
Profit on disposal of investments in securities		—	2,399
Profit before taxation	3	340,969	235,023
Income tax	5(a)	(38,141)	(33,480)
Profit after taxation		302,828	201,543
Minority interests		268	(43)
Profit attributable to shareholders	6	<u>303,096</u>	<u>201,500</u>
Dividends	7(a)		
Interim dividend		39,674	29,026
Final dividend		141,692	124,689
		<u>181,366</u>	<u>153,715</u>
Earnings per share	8	<u>53.9 cents</u>	<u>41.7 cents</u>
Dividend per share	7(a)	<u>32 cents</u>	<u>28 cents</u>

Consolidated Balance Sheet*At 31 December**(Expressed in Hong Kong dollars)*

	<i>Note</i>	2004 \$'000	2003 \$'000
Non-current assets			
Fixed assets	10	3,466,563	3,019,710
Land held for future development		9,500	10,216
Land and development rights	11	1,264,937	1,230,418
Interest in associated companies	14	46,026	32,674
Investments in securities	15	110,099	394,872
Loans and advances		60,158	56,239
Deferred tax assets	9(b)	3,223	1,864
		<u>4,960,506</u>	<u>4,745,993</u>
Current assets			
Interest in property development	16	400,000	—
Inventories	17	789,261	899,772
Trade and other receivables	18	209,143	62,184
Loans and advances		84,834	104,828
Amount due from an associated company		83	—
Investments in securities	15	129,251	63,644
Time deposits (pledged)		—	5,719
Cash and cash equivalents		44,497	8,889
		<u>1,657,069</u>	<u>1,145,036</u>
Current liabilities			
Trade and other payables	19	491,970	285,857
Bank loans	21	665,442	370,000
Current taxation	9(a)	24,677	13,006
		<u>1,182,089</u>	<u>668,863</u>
Net current assets		<u>474,980</u>	<u>476,173</u>
Total assets less current liabilities carried forward			
		5,435,486	5,222,166

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		2004	2003
	Note	\$'000	\$'000
Total assets less current liabilities brought forward		5,435,486	5,222,166
Non-current liabilities			
Loan from ultimate holding company	20	7,519	—
Bank loans	21	1,086,987	1,838,989
Other payables	11	62,263	73,603
Deferred tax liabilities	9(b)	23,748	21,325
		1,180,517	1,933,917
Minority interests		1,208	1,476
Net assets		4,253,761	3,286,773
Capital and reserves			
Share capital	22	56,677	48,377
Reserves	23	4,197,084	3,238,396
		4,253,761	3,286,773

Company Balance Sheet*At 31 December**(Expressed in Hong Kong dollars)*

	<i>Note</i>	2004 \$'000	2003 \$'000
Non-current assets			
Fixed assets	10	2,800,553	2,570,463
Interest in subsidiaries	13	2,317,774	2,093,380
		<u>5,118,327</u>	<u>4,663,843</u>
Current assets			
Trade and other receivables	18	7,267	10,507
Cash and cash equivalents		<u>13,196</u>	<u>3,444</u>
		<u>20,463</u>	<u>13,951</u>
Current liabilities			
Trade and other payables	19	86,676	59,814
Bank loans	21	140,300	370,000
Current taxation	9(a)	<u>5,363</u>	<u>2,884</u>
		<u>232,339</u>	<u>432,698</u>
Net current liabilities		<u>(211,876)</u>	<u>(418,747)</u>
Total assets less current liabilities		4,906,451	4,245,096
Non-current liabilities			
Loan from ultimate holding company	20	7,519	—
Bank loans	21	1,017,687	1,062,727
Deferred tax liabilities	9(b)	<u>16,292</u>	<u>13,687</u>
		<u>1,041,498</u>	<u>1,076,414</u>
Net assets		<u><u>3,864,953</u></u>	<u><u>3,168,682</u></u>
Capital and reserves			
Share capital	22	56,677	48,377
Reserves	23	<u>3,808,276</u>	<u>3,120,305</u>
		<u><u>3,864,953</u></u>	<u><u>3,168,682</u></u>

Consolidated Statement of Changes in Equity*For the year ended 31 December**(Expressed in Hong Kong dollars)*

	<i>Note</i>	2004 \$'000	2003 \$'000
Total equity at 1 January		3,286,773	3,243,189
Surplus/(Deficit) on revaluation of investment properties	23	257,792	(26,272)
Surplus on revaluation of investments in securities	23	14,218	—
Net gains/(losses) not recognized in the income statement		272,010	(26,272)
Net profit for the year		303,096	201,500
Final dividend approved and paid in respect of the previous financial year	7(b)	(124,689)	(96,754)
Interim dividend declared and paid in respect of the current year	7(a)	(39,674)	(29,026)
Revaluation surplus transferred to income statement upon disposal of investments in securities	23	—	(5,864)
Issue of shares	22	8,300	—
Net share premium received	23	547,945	—
Total equity at 31 December		4,253,761	3,286,773

Consolidated Cash Flow Statement*For the year ended 31 December**(Expressed in Hong Kong dollars)*

	<i>Note</i>	2004 \$'000	2003 \$'000
Net cash from/(used in) operating activities	24(a)	793,048	(282,890)
Investing activities			
Sale of other fixed assets		2	—
Sale of listed securities		—	43,865
Redemption of held-to-maturity securities		—	1,000
Additions to fixed assets and properties		(182,589)	(6,516)
Additions to land held for future development		—	(17)
Additions to land and development rights		(114,246)	(185,567)
Acquisition of a subsidiary	24(b)	(400,000)	(141,750)
(Increase)/Decrease in loan to an associated company		(4,638)	1,663
Dividend received from an associated company		840	420
Net cash used in investing activities		(700,631)	(286,902)
Financing activities			
(Decrease)/Increase in bank loans		(456,560)	686,016
Increase in loan from ultimate holding company		7,519	—
Net proceeds from shares issued		556,245	—
Dividend paid		(164,013)	(125,527)
Dividend paid to minority shareholders		—	(750)
Net cash (used in)/from financing activities		(56,809)	559,739
Net increase/(decrease) in cash and cash equivalents		35,608	(10,053)
Cash and cash equivalents at 1 January		8,889	18,942
Cash and cash equivalents at 31 December		44,497	8,889

Notes on the Accounts

(Expressed in Hong Kong dollars)

1. Significant accounting policies***(a) Statement of compliance***

These accounts have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (which includes all applicable Statements of Standard Accounting Practice (“SSAP”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These accounts also comply with the applicable disclosure provision of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (“new HKFRSs”) which are effective for accounting periods beginning on or after 1 January 2005.

The Group has not early adopted these new HKFRSs in the accounts for the year ended 31 December 2004. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

(b) Measurement basis

The measurement basis used in the preparation of the accounts 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.

(c) Basis of consolidation

The consolidated accounts include the accounts of Kowloon Development Company Limited and all of its subsidiaries made up to 31 December, together with the Group’s share of the results for the year and net assets of its associated companies. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from or to the date of their acquisition or disposal, as appropriate. All material intercompany transactions and balances are eliminated on consolidation.

Goodwill arising on consolidation represents the excess of the cost of the acquisition of subsidiaries and associated companies over the Group’s share of the fair value of the identifiable assets and liabilities acquired at the date of acquisition.

Goodwill arising from acquisitions on or after 1 January 2001 is amortized to the consolidated income statement on a straight-line basis over its estimated useful life. For acquisitions before 1 January 2001, goodwill is eliminated against reserves and is reduced by impairment losses.

On disposal of a subsidiary or an associated company during the year, any attributable amount of goodwill not previously amortized through the consolidated income statement 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.

(d) Interest in subsidiaries

Subsidiaries, in accordance with the Hong Kong Companies Ordinance, are companies in which the Group, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses.

(e) Interest in associated companies

An associated company is a company in which the Group 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 associated company is accounted for in the consolidated accounts 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 associated company's net assets. The consolidated income statement reflects the Group's share of the post-acquisition results of the associated company.

The results of associated companies are included in the Company's income statement to the extent of dividends received and receivable, providing the dividend is in respect of a period ending on or before that of the Company and the Company's right to receive the dividend is established as at balance sheet date.

In the Company's balance sheet, its investments in associated companies are stated at cost less impairment losses.

(f) Interest in joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control.

Jointly controlled assets are assets of a joint venture over which the Group has joint control with other venturers in accordance with contractual arrangements and through the joint control of which the Group has control over its share of future economic benefits earned from the assets.

The Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognized in the balance sheets and classified according to their nature. Liabilities and expenses incurred directly in respect of its interests in jointly controlled assets are accounted for on an accruals basis. Income from the sale or use of the Group's share of the output of the jointly controlled assets, together with its share of any expenses incurred by the joint venturers, are recognized in the income statement when it is probable that the economic benefits associated with the transactions will flow to or from the Group.

(g) Properties**(i) Investment properties**

Interests in land and buildings held for rental purposes are recorded as investment properties and are not subject to periodic charges of depreciation except where the unexpired term of the lease is twenty years or less. They have been valued annually by an independent firm of professional surveyors on an open market value basis calculated by reference to net rental income allowing for reversionary income potential. Changes in the value of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit on a portfolio basis, the excess of the deficit is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus will be credited to the income statement to the extent of the deficit previously charged.

Upon disposal of investment properties, the related portion of surpluses or deficits previously taken to the investment property revaluation reserve is transferred to the income statement. In the opinion of the directors, the disposal of the revalued land and buildings at their carrying value will result in capital gains which are not subject to any tax liability.

(ii) Land held for future development

Land held for future development is stated at cost less impairment losses. No amortization is provided in respect of land held for future development.

(iii) Land and development rights

Land and development rights are stated at cost including borrowing costs capitalized less impairment losses.

(iv) Interest in property development

Interest in property development is stated at cost less impairment losses.

(v) Properties under development

Properties under development are stated at cost, including borrowing costs capitalized, aggregate costs of development, materials and supplies, wages and other expenses, less impairment losses.

(vi) Properties held for sale

Properties held for sale are stated at the lower of cost and the estimated net realizable value. Net realizable value represents the estimated selling price less costs to be incurred in selling the properties.

(h) Borrowing costs

Borrowing costs are expensed in the income statement in the period in which they are incurred, except to the extent that they are capitalized as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to prepare for its intended use or sale. The capitalization rate is arrived at by

reference to the actual rate payable on borrowings for development purposes or, with regard to that part of the development costs financed out of general working capital, to the average rate thereof.

(i) Depreciation

(i) Investment properties

No depreciation is provided on investment properties with an unexpired lease term of over twenty years. The carrying value of investment properties with an unexpired lease term of twenty years or less is depreciated over the remaining term of the lease.

(ii) Land and buildings

Land and buildings are stated at cost less accumulated depreciation and impairment losses. Leasehold land is amortized over the remaining term of the leases. Buildings and improvements thereto are depreciated over the shorter of their useful lives of forty years and the unexpired terms of the leases.

(iii) Other fixed assets

Other fixed assets are stated at cost less accumulated depreciation and impairment losses. Depreciation is calculated on a straight line method to write off the assets over their estimated useful lives as follows:

—	Air conditioning plant, plant and machinery, lifts and escalators	10 years
—	Furniture and fixtures, motor vehicles, electronic data processing equipment and others	3 to 5 years

(j) Investments in securities

- (i) Dated debt securities that the Group has the ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated in the balance sheet at amortized cost less any provisions for diminution in value. Provisions are made when carrying amounts are not expected to be fully recovered and are recognized as an expense in the income statement, such provisions being determined for each investment individually.
- (ii) Securities are presented as trading securities when they were acquired principally for the purpose of generating a profit from short term fluctuations in price. Trading securities are stated in the balance sheet at fair value. Changes in fair value are recognized in the income statement as they arise.
- (iii) All other securities are classified as non-trading securities and are stated in the balance sheet at fair value. Changes in fair value are recognized in the investment revaluation reserve until the security is sold, collected, or otherwise disposed of, or until there is objective evidence that the security is impaired, at which time the relevant cumulative loss is transferred from the investment revaluation reserve to the income statement.

- (iv) Transfers from the investment revaluation reserve to the income statement 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.
- (v) 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 income statement as they arise.

(k) *Impairment of assets*

At the balance sheet date, the Group reviews the carrying amounts of its assets and positive goodwill to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately, unless the relevant asset is carried at revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately, unless the relevant asset is carried at revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(l) *Deferred taxation*

Deferred taxation is provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Movements in deferred tax assets and liabilities are recognized in the income statement except to the extent that they relate to items recognized directly in equity, in which case they are recognized in equity.

The amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

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 utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

(m) Recognition of revenue

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 recognized in the income statement as follows:

(i) Rental income from operating leases

Rental income receivable under operating leases is recognized in the income statement 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 recognized in the income statement as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognized as income in the accounting period in which they are earned.

(ii) Sale of properties

Revenue arising from sale of properties is recognized upon the execution of a binding sale agreement or when the relevant occupation permit is issued by the respective building authority, whichever is later. Payments received from the purchasers prior to this stage are recorded as deposits received on sale of properties in the balance sheet.

(iii) Sale of investments in securities

Revenue from sale of investments in securities is recognized when the buyer takes legal title to the securities.

(iv) Film right royalties

Film right royalties are recognized upon the delivery of print copies, film negatives or other materials.

(v) Interest income

Interest income is recognized on a time-apportionment basis throughout the life of the asset concerned.

(n) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities in foreign currencies are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Exchange gains and losses on foreign currency translation are dealt with in the income statement.

(o) Related parties

For the purposes of these accounts, 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.

(p) *Segment reporting*

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment capital expenditure is the total cost incurred during the year to acquire segment assets (both tangible and intangible) that are expected to be used for more than one year. Unallocated items mainly comprise financial and corporate assets, loans, borrowings, corporate and financing expenses.

2. Segment information

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

Turnover comprises income from property and securities investments, net proceeds from sale of properties, film distribution income and interest income.

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(a) Business segments

		2004			
	Consolidated	Property investment	Property development	Financing and investments	Others
	\$'000	\$'000	\$'000	\$'000	\$'000
Turnover	773,425	206,595	294,718	264,894	7,218
Contribution from operations	366,138	182,778	102,324	78,412	2,624
Unallocated group expenses	(31,889)				
Profit from operations	334,249				
Finance costs	(6,169)				
Share of profits less losses of associated companies	12,889	—	—	—	12,889
Profit before taxation	340,969				
Income tax	(38,141)				
Profit after taxation	302,828				
Minority interests	268				
Profit attributable to shareholders	303,096				
Segment assets	6,519,955	3,606,189	2,506,062	401,318	6,386
Investment in associated companies	46,026	—	—	—	46,026
Unallocated	51,594				
Total assets	6,617,575				
Segment liabilities	659,542	91,693	428,265	124,027	15,557
Unallocated	1,703,064				
Total liabilities	2,362,606				
Capital expenditure incurred during the year	222,213	192,260	28,542	—	1,411

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		2003			
	Consolidated	Property investment	Property development	Financing and investments	Others
	\$'000	\$'000	\$'000	\$'000	\$'000
				(Restated)	(Restated)
Turnover	673,812	179,308	228,320	260,623	5,561
Contribution from operations	253,979	163,768	25,398	63,945	868
Unallocated group expenses	(17,815)				
Profit from operations	236,164				
Finance costs	(11,036)				
Share of profits less losses of associated companies	7,496	—	—	—	7,496
Profit on disposal of investments in securities	2,399	—	—	2,399	—
Profit before taxation	235,023				
Income tax	(33,480)				
Profit after taxation	201,543				
Minority interests	(43)				
Profit attributable to shareholders	201,500				
Segment assets	5,827,171	3,017,758	2,165,037	641,329	3,047
Investment in associated companies	32,674	—	—	—	32,674
Unallocated	31,184				
Total assets	5,891,029				
Segment liabilities	489,581	61,613	273,129	140,941	13,898
Unallocated	2,113,199				
Total liabilities	2,602,780				
Capital expenditure incurred during the year	20,860	6,400	14,460	—	—

(b) Geographical segments

	Group turnover		Profit from operations	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Hong Kong	723,189	621,185	286,544	198,924
North America	43,679	23,431	42,780	23,281
Europe	6,557	27,298	4,925	12,712
Others	—	1,898	—	1,247
	<u>773,425</u>	<u>673,812</u>	<u>334,249</u>	<u>236,164</u>

	Segment assets		Capital expenditure incurred during the year	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Hong Kong	6,078,050	5,424,255	222,213	20,860
Asia	400,000	—	—	—
North America	23,998	400,634	—	—
Europe	17,907	2,282	—	—
	<u>6,519,955</u>	<u>5,827,171</u>	<u>222,213</u>	<u>20,860</u>

(c) Major customers and suppliers

During the year, less than 30% of the Group's sales and less than 30% of the Group's purchases were attributable to the Group's five largest customers and five largest suppliers respectively.

3. Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	2004	2003
	\$'000	\$'000
Interest on bank loans and overdrafts	18,448	34,248
Interest on loan from ultimate holding company	1,010	—
Less: Amount capitalized (<i>Note</i>)	<u>(12,141)</u>	<u>(20,990)</u>
	7,317	13,258
Less: Interest expense included as other operating expenses	<u>(1,148)</u>	<u>(2,222)</u>
	<u>6,169</u>	<u>11,036</u>

Note: Borrowing costs were capitalized at the prevailing market interest rates.

(b) Other items

	2004	2003
	<i>\$'000</i>	<i>\$'000</i>
Auditors' remuneration	978	886
Provision for bad and doubtful debts and bad debts written off	9,173	9,828
Impairment losses on land and buildings	4,429	—
Rentals receivable under operating leases less outgoings	(179,361)	(161,640)
Rental income	(206,595)	(179,307)
<i>Less: Outgoings</i>	27,234	17,667
Dividend income from listed securities	(3,148)	(3,486)
Income from unlisted securities	(46,444)	(33,736)

- (c) The Group's share of profits less losses for the year, after minority interests and after the declaration of dividend, retained by the associated companies was \$8,714,434 (2003: \$4,602,942).

4. Directors' and management's emoluments

(a) Directors' emoluments

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

	2004	2003
	<i>\$'000</i>	<i>\$'000</i>
Directors' fees	700	700
Performance related bonuses	700	288
Salaries and allowances	1,644	1,622
Provident fund contributions	90	90
	<u>3,134</u>	<u>2,700</u>

Included in the directors' emoluments were fees of \$400,000 (2003: \$400,000) paid to the independent non-executive directors for the year.

The emoluments of the directors are within the following bands:

	2004	2003
\$0 - \$1,000,000	9	9
\$1,000,001 - \$1,500,000	—	—
\$1,500,001 - \$2,000,000	—	1
\$2,000,001 - \$2,500,000	1	—

(b) Individuals with highest emoluments

Of the five individuals with the highest emoluments, one (2003: one) is a director whose emoluments are disclosed in note 4(a). The aggregate of the emoluments in respect of the remaining four (2003: four) individuals are as follows:

	2004	2003
	<i>\$'000</i>	<i>\$'000</i>
Salaries and allowances	3,881	3,869
Performance related bonuses	1,566	534
Provident fund contributions	192	192
	<u>5,639</u>	<u>4,595</u>

The emoluments of the individuals are within the following bands:

	2004	2003
\$0 — \$1,000,000	—	—
\$1,000,001 — \$1,500,000	4	4

5. Income tax in the consolidated income statement*(a) Taxation in the consolidated income statement represents:*

	2004	2003
	<i>\$'000</i>	<i>\$'000</i>
Current tax		
Provision for Hong Kong profits tax at 17.5% on the estimated assessable profits of the year	40,001	24,150
Overprovision in respect of prior years	<u>(6,259)</u>	<u>(107)</u>
	<u>33,742</u>	<u>24,043</u>
Deferred tax		
Origination and reversal of temporary differences	1,064	5,792
Amount attributable to a change in tax rate	<u>—</u>	<u>1,172</u>
	<u>1,064</u>	<u>6,964</u>
Share of associated companies' taxation		
— Hong Kong	479	276
— Overseas	<u>2,856</u>	<u>2,197</u>
	<u>3,335</u>	<u>2,473</u>
	<u>38,141</u>	<u>33,480</u>

Overseas taxation of the associated companies has been provided for at the applicable tax rates ruling in the respective jurisdictions.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2004 \$'000	2003 \$'000
Profit before taxation	<u>340,969</u>	<u>235,023</u>
Tax at applicable tax rates	60,753	42,325
Non-deductible expenses	2,555	1,099
Non-taxable revenue	(8,710)	(7,276)
Overprovision in prior years	(6,259)	(137)
Unrecognized tax losses	1,173	390
Previously unrecognized tax losses utilized	(7,615)	(3,105)
Previously unrecognized tax losses now recognized	(2,455)	—
Change in tax rate	—	1,173
Others	<u>(1,301)</u>	<u>(989)</u>
Actual tax expense	<u>38,141</u>	<u>33,480</u>

6. Profit attributable to shareholders

The consolidated profit attributable to shareholders includes a profit of \$107,266,635 (2003: \$102,732,370) which has been dealt with in the accounts of the Company.

Reconciliation of the above amount to the Company's profit for the year:

	2004 \$'000	2003 \$'000
Consolidated profit attributable to shareholders dealt with in the Company's accounts	107,267	102,732
Final dividend from a subsidiary attributable to the profits of the previous financial year, approved and paid during the year	<u>—</u>	<u>4,250</u>
Company's profit for the year	<u>107,267</u>	<u>106,982</u>

7. Dividends**(a) Dividends attributable to the year**

	2004 \$'000	2003 \$'000
Interim dividend declared and paid of 7 cents (2003: 6 cents) per share	39,674	29,026
Final dividend proposed after the balance sheet date of 25 cents (2003: 22 cents) per share	<u>141,692</u>	<u>124,689</u>
	<u>181,366</u>	<u>153,715</u>

The final dividend declared after the year end has not been recognized as a liability at 31 December.

(b) Dividends attributable to the previous financial year, approved and paid during the year

	2004	2003
	\$'000	\$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of 22 cents (2003: 20 cents) per share	<u>124,689</u>	<u>96,754</u>

8. Earnings per share*(a) Basic earnings per share*

The calculation of basic earnings per share is based on the profit attributable to shareholders of \$303,096,312 (2003: \$201,499,732) and the weighted average number of shares in issue during the year of 562,685,882 (2003: 483,767,850).

(b) Diluted earnings per share

No diluted earnings per share for 2003 and 2004 has been presented as the Company had no dilutive potential shares for both years.

9. Income tax in the balance sheets*(a) Current taxation in the balance sheets represents:*

	Group		Company	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Provision for Hong Kong profits tax for the year	40,001	24,150	18,559	17,597
Provisional profits tax paid	<u>(16,448)</u>	<u>(15,407)</u>	<u>(13,196)</u>	<u>(14,713)</u>
	23,553	8,743	5,363	2,884
Balance of profits tax provision relating to prior years	<u>1,124</u>	<u>4,263</u>	<u>—</u>	<u>—</u>
	<u><u>24,677</u></u>	<u><u>13,006</u></u>	<u><u>5,363</u></u>	<u><u>2,884</u></u>

(b) Deferred taxation

The components of deferred tax assets/(liabilities) recognized in the balance sheets and the movements during the year are as follows:

Group

	Future benefit of tax losses \$'000	Revaluation of properties \$'000	Depreciation charges in excess of depreciation allowances \$'000	Accelerated depreciation allowances \$'000	General provision \$'000	Total \$'000
At 1 January 2003	5,617	(5,898)	9	(12,839)	614	(12,497)
(Charged)/Credited to income statement	(2,454)	(553)	(1)	(4,542)	586	(6,964)
At 31 December 2003	<u>3,163</u>	<u>(6,451)</u>	<u>8</u>	<u>(17,381)</u>	<u>1,200</u>	<u>(19,461)</u>
At 1 January 2004	3,163	(6,451)	8	(17,381)	1,200	(19,461)
Credited/(Charged) to income statement	318	2,659	(1)	(3,932)	(108)	(1,064)
At 31 December 2004	<u>3,481</u>	<u>(3,792)</u>	<u>7</u>	<u>(21,313)</u>	<u>1,092</u>	<u>(20,525)</u>

Company

	2004			2003		
	Accelerated depreciation allowances \$'000	General provision \$'000	Total \$'000	Accelerated depreciation allowances \$'000	General provision \$'000	Total \$'000
At 1 January	(13,702)	15	(13,687)	(10,395)	—	(10,395)
(Charged)/Credited to income statement	(2,590)	(15)	(2,605)	(3,307)	15	(3,292)
At 31 December	<u>(16,292)</u>	<u>—</u>	<u>(16,292)</u>	<u>(13,702)</u>	<u>15</u>	<u>(13,687)</u>

	Group		Company	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Net deferred tax asset recognized on the balance sheet	3,223	1,864	—	—
Net deferred tax liability recognized on the balance sheet	(23,748)	(21,325)	(16,292)	(13,687)
	(20,525)	(19,461)	(16,292)	(13,687)

(c) *Deferred tax assets not recognized*

The Group has not recognized deferred tax assets in respect of tax losses of \$148,154,000 (2003: \$15,209,000). During the year, the Inland Revenue Department agreed to the accumulated tax losses of a subsidiary. As a result, the deferred tax asset was recognized to the extent that it is probable that sufficient future taxable profits will be available to allow the related tax benefit to be utilized. Deferred tax on the remaining tax losses were not recognized.

10. Fixed assets

	Investment properties \$'000	Land \$'000	Buildings \$'000	Others \$'000	Total \$'000
Group					
Cost or valuation					
At 1 January 2004	3,011,900	6,446	1,820	29,826	3,049,992
Additions	192,248	—	—	1,715	193,963
Disposals	—	—	—	(149)	(149)
Revaluation surplus	257,792	—	—	—	257,792
	<u>3,461,940</u>	<u>6,446</u>	<u>1,820</u>	<u>31,392</u>	<u>3,501,598</u>
At 31 December 2004	3,461,940	6,446	1,820	31,392	3,501,598
Aggregate depreciation and amortization					
At 1 January 2004	—	818	400	29,064	30,282
Charge for the year	—	96	52	320	468
Written back on disposal	—	—	—	(144)	(144)
Impairment losses	—	3,472	957	—	4,429
	<u>—</u>	<u>4,386</u>	<u>1,409</u>	<u>29,240</u>	<u>35,035</u>
At 31 December 2004	—	4,386	1,409	29,240	35,035
Carrying value					
At 31 December 2004	<u>3,461,940</u>	<u>2,060</u>	<u>411</u>	<u>2,152</u>	<u>3,466,563</u>
At 31 December 2003	<u>3,011,900</u>	<u>5,628</u>	<u>1,420</u>	<u>762</u>	<u>3,019,710</u>
Company					
Cost or valuation					
At 1 January 2004	2,570,000	—	—	23,554	2,593,554
Additions	32,878	—	—	294	33,172
Disposals	—	—	—	(97)	(97)
Revaluation surplus	197,122	—	—	—	197,122
	<u>2,800,000</u>	<u>—</u>	<u>—</u>	<u>23,751</u>	<u>2,823,751</u>
At 31 December 2004	2,800,000	—	—	23,751	2,823,751
Aggregate depreciation and amortization					
At 1 January 2004	—	—	—	23,091	23,091
Charge for the year	—	—	—	200	200
Written back on disposal	—	—	—	(93)	(93)
	<u>—</u>	<u>—</u>	<u>—</u>	<u>23,198</u>	<u>23,198</u>
At 31 December 2004	—	—	—	23,198	23,198
Carrying value					
At 31 December 2004	<u>2,800,000</u>	<u>—</u>	<u>—</u>	<u>553</u>	<u>2,800,553</u>
At 31 December 2003	<u>2,570,000</u>	<u>—</u>	<u>—</u>	<u>463</u>	<u>2,570,463</u>

(a) *Analysis of cost or valuation*

	Investment properties	Land	Buildings	Others	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Group					
Professional valuation					
— 2004	3,461,940	—	—	—	3,461,940
Cost	—	6,446	1,820	31,392	39,658
	<u>3,461,940</u>	<u>6,446</u>	<u>1,820</u>	<u>31,392</u>	<u>3,501,598</u>
Company					
Professional valuation					
— 2004	2,800,000	—	—	—	2,800,000
Cost	—	—	—	23,751	23,751
	<u>2,800,000</u>	<u>—</u>	<u>—</u>	<u>23,751</u>	<u>2,823,751</u>

(b) *Analysis of carrying value of properties*

	Group		Company	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Investment properties				
Long leases in Hong Kong	3,426,940	2,978,900	2,800,000	2,570,000
Medium term leases in Hong Kong	<u>35,000</u>	<u>33,000</u>	<u>—</u>	<u>—</u>
	<u>3,461,940</u>	<u>3,011,900</u>	<u>2,800,000</u>	<u>2,570,000</u>
Other properties				
Long leases in Hong Kong	1,000	2,122	—	—
Medium term leases in Hong Kong	<u>1,470</u>	<u>4,926</u>	<u>—</u>	<u>—</u>
	<u>2,470</u>	<u>7,048</u>	<u>—</u>	<u>—</u>

The investment properties of the Group and of the Company were revalued at 31 December 2004 by Vigers Appraisal and Consulting Limited, an independent firm of professional surveyors, on an open market value basis calculated by reference to net rental income allowing for reversionary income potential.

The cost or valuation of other properties has been apportioned between land, buildings and other assets on the basis of estimates made by the directors.

The Group leases out investment properties and certain furniture and fixtures under operating leases. The leases typically run for an initial period of several months to six years. Some leases have provision of option to renew by which time all terms are renegotiated. Some leases have provision of turnover rent. Turnover rent of \$73,221 was received in 2004 (2003: Nil).

The gross carrying amounts of investment properties of the Group held for use in operating leases were \$3,461,940,000 (2003: \$3,011,900,000). The gross carrying amounts of other fixed assets of the Group held for use in operating leases were \$8,500,236 (2003: \$8,541,166) and the related accumulated depreciation charges were \$8,285,100 (2003: \$8,260,163).

The gross carrying amounts of investment properties of the Company held for use in operating leases were \$2,800,000,000 (2003: \$2,570,000,000). The gross carrying amounts of other fixed assets of the Company held for use in operating leases were \$2,370,992 (2003: \$2,368,192) and the related accumulated depreciation charges were \$2,366,465 (2003: \$2,363,930).

The total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	Group		Company	
	2004	2003	2004	2003
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Within 1 year	154,546	121,340	123,265	101,005
After 1 year but within 5 years	150,748	127,956	120,939	108,698
	<u>305,294</u>	<u>249,296</u>	<u>244,204</u>	<u>209,703</u>

11. Land and development rights

Land and development rights represents the Group's interest in the development of a property in Ngau Chi Wan. The Group has been granted the exclusive right for the development by The Little Sisters of the Poor ("The Little Sisters"). Pursuant to the development agreement with The Little Sisters, the Group is responsible for bearing all costs and expenses of carrying out the development and in return, the Group is entitled to all sales proceeds derived from the completed development. As at 31 December 2004, the Group had an outstanding payable to The Little Sisters under the development agreement of approximately \$162 million (2003: \$248 million) of which \$62 million (2003: \$74 million) is payable after one year.

12. Jointly controlled assets

As at 31 December, the aggregate amounts of assets and liabilities recognized in the accounts relating to the Group's interest in jointly controlled assets were as follows:

	Group	
	2004	2003
	<i>\$'000</i>	<i>\$'000</i>
Assets		
Property under development	133,822	113,865
Trade and other receivables	<u>102</u>	<u>1</u>
	<u>133,924</u>	<u>113,866</u>
Liabilities		
Bank loans — secured	69,300	56,300
Trade and other payables	<u>5,711</u>	<u>—</u>
	<u>75,011</u>	<u>56,300</u>

13. Interest in subsidiaries

	Company	
	2004	2003
	<i>\$'000</i>	<i>\$'000</i>
Unlisted shares, at cost	704,398	704,398
Loans to subsidiaries		
— interest free	831,833	485,104
— interest bearing	1,349,089	1,461,630
Loans from subsidiaries		
— interest free	(333,118)	(336,342)
— interest bearing	(28,417)	(15,289)
Amounts due to subsidiaries	(230)	—
Amounts due from subsidiaries	—	523
Impairment losses on subsidiaries	(205,781)	(206,644)
	<u>2,317,774</u>	<u>2,093,380</u>

Loans to and from subsidiaries are unsecured and have no fixed terms of repayment. Interest is charged at bank lending rates and deposit rates.

Details of the principal subsidiaries are shown in note 28(a).

14. Interest in associated companies

	Group	
	2004	2003
	<i>\$'000</i>	<i>\$'000</i>
Share of net assets of associated companies	41,140	32,426
Loan to an associated company	<u>4,886</u>	<u>248</u>
	<u>46,026</u>	<u>32,674</u>

Loan to an associated company is unsecured, interest bearing at prevailing prime rate and subject to any repayment to shareholders on a pro-rata basis. Prior to 1 July 2004, loan to an associated company was interest free.

Details of the associated companies are shown in note 28(b).

15. Investments in securities

	2004	Group
	\$'000	2003
		\$'000
Non-current assets		
Equity shares, listed in Hong Kong	86,476	—
Investment fund, unlisted	23,623	6,682
Held-to-maturity securities, unlisted	—	388,190
	<u>110,099</u>	<u>394,872</u>
Current assets		
Equity shares, listed in Hong Kong	113,388	63,644
Held-to-maturity securities, unlisted	15,863	—
	<u>129,251</u>	<u>63,644</u>
	<u>239,350</u>	<u>458,516</u>
Market value of investment securities, listed in Hong Kong	<u>199,864</u>	<u>63,644</u>

As at 31 December 2003, held-to-maturity securities under non-current assets included an investment of US\$50 million in a 10 year note issued by a corporation established by the United States Congress with Aaa/AAA rating by Moody's and Standard & Poor's. The note was early redeemed by the note issuer in 2004.

16. Interest in property development

Interest in property development represents the Group's interest in the development of a property in Macau under the co-investment agreement with a wholly owned subsidiary of ultimate holding company, Polytec Holdings International Ltd ("Polytec Holdings") (*note 24(b)*).

17. Inventories

	2004	Group
	\$'000	2003
		\$'000
Properties under development	663,287	810,872
Properties held for sale	124,291	88,900
Trading goods	1,683	—
	<u>789,261</u>	<u>899,772</u>

Properties held for sale of \$3,325,000 (2003: \$10,601,016) are stated at net realizable value.

18. Trade and other receivables

The following is an ageing analysis of trade receivables at 31 December:

	Group		Company	
	2004	2003	2004	2003
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Current and overdue within 3 months	44,480	30,756	615	541
Overdue between 3 to 6 months	2,866	4,216	231	12
Overdue more than 6 months	12,686	9,296	11	2
	<u>60,032</u>	<u>44,268</u>	<u>857</u>	<u>555</u>
Trade receivables	60,032	44,268	857	555
Utility and other deposits	3,455	1,153	1,975	151
Other receivables and prepayments	145,656	16,763	4,435	9,801
	<u>209,143</u>	<u>62,184</u>	<u>7,267</u>	<u>10,507</u>

Utility and other deposits of the Group and of the Company of \$3,358,677 (2003: \$926,136) and \$1,969,063 (2003: \$145,363) respectively are expected to be recovered after more than one year.

Prepayments of the Group of an amount of \$134,200,000 represents the deposit paid for the acquisition of a property interest under a provisional sale and purchase agreement (*note 31*).

Receivables and prepayments of the Group and of the Company of \$306,498 (2003: \$4,824,972) and \$21,470 (2003: \$4,444,376) respectively are expected to be recovered after more than one year.

The Group maintains a defined credit policy. An ageing analysis of trade debtors is prepared on a regular basis and is closely monitored to minimize any credit risk associated with receivables.

19. Trade and other payables

The following is an ageing analysis of trade payables at 31 December:

	Group		Company	
	2004	2003	2004	2003
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Not yet due or on demand	29,892	25,333	4,580	211
Overdue less than 3 months	7,715	6,476	1,350	1,736
Overdue between 3 to 6 months	14	—	—	—
Overdue more than 6 months	20	—	—	—
	<u>37,641</u>	<u>31,809</u>	<u>5,930</u>	<u>1,947</u>
Trade payables	37,641	31,809	5,930	1,947
Rental and other deposits	51,407	37,247	38,178	28,931
Other payables and accrued expenses	401,541	216,801	42,568	28,936
Deposits received on sale of properties	1,381	—	—	—
	<u>491,970</u>	<u>285,857</u>	<u>86,676</u>	<u>59,814</u>

Rental and other deposits of the Group and of the Company of \$48,096,776 (2003: \$35,635,652) and \$36,863,174 (2003: \$28,414,831) respectively are expected to be refunded after more than one year.

Other payables of the Group included an amount of \$240,700,000 received from a fellow subsidiary and is payable on demand.

Payables and accrued expenses of the Group and of the Company of \$1,006,122 (2003: \$85,655) and \$85,655 (2003: \$85,655) respectively are expected to be settled after more than one year.

20. Loan from ultimate holding company

Loan from ultimate holding company is unsecured, interest bearing and has fixed terms of repayment. Interest is charged at bank lending rates.

21. Bank loans

At 31 December, bank loans were repayable as follows:

	Group		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Within 1 year or on demand	665,442	370,000	140,300	370,000
After 1 year but within 2 years	194,300	630,000	125,000	240,000
After 2 years but within 5 years	847,687	879,028	847,687	822,727
After 5 years	45,000	329,961	45,000	—
	1,086,987	1,838,989	1,017,687	1,062,727
	1,752,429	2,208,989	1,157,987	1,432,727

Bank loans were classified in the balance sheets as follows:

	Group		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Current liabilities				
Secured	585,142	220,000	60,000	220,000
Unsecured	80,300	150,000	80,300	150,000
	665,442	370,000	140,300	370,000
Non-current liabilities				
Secured	1,086,987	1,838,989	1,017,687	1,062,727
	1,752,429	2,208,989	1,157,987	1,432,727

22. Share capital

	No. of shares of \$0.1 each	\$'000
Authorized		
At 1 January and 31 December 2004	1,000,000,000	100,000
Issued and fully paid		
At 1 January 2004	483,767,850	48,377
Issue of shares	83,000,000	8,300
At 31 December 2004	566,767,850	56,677

On 19 January 2004, the Company issued and allotted 83,000,000 new shares to its major shareholder at a price of \$6.85 per share after the placement of 83,000,000 old shares by the major shareholder at a price of \$6.85 per share to independent third parties.

23. Reserves**Group**

	Investment property revaluation reserve \$'000	Investment revaluation reserve \$'000	Capital reserve \$'000	Share premium \$'000	Retained profits \$'000	Total \$'000
At 1 January 2003	1,809,231	(11,872)	2,154	9,971	1,385,328	3,194,812
Revaluation deficit	(26,272)	—	—	—	—	(26,272)
Transfer to income statement upon disposal of investments in securities	—	(5,864)	—	—	—	(5,864)
Interim dividend paid	—	—	—	—	(29,026)	(29,026)
Final dividend paid	—	—	—	—	(96,754)	(96,754)
Net profit for the year	—	—	—	—	201,500	201,500
At 31 December 2003	1,782,959	(17,736)	2,154	9,971	1,461,048	3,238,396
At 1 January 2004	1,782,959	(17,736)	2,154	9,971	1,461,048	3,238,396
Revaluation surplus	257,792	14,218	—	—	—	272,010
Premium on issue of shares	—	—	—	560,250	—	560,250
Expenses on issue of shares	—	—	—	(12,305)	—	(12,305)
Interim dividend paid	—	—	—	—	(39,674)	(39,674)
Final dividend paid	—	—	—	—	(124,689)	(124,689)
Net profit for the year	—	—	—	—	303,096	303,096
At 31 December 2004	2,040,751	(3,518)	2,154	557,916	1,599,781	4,197,084

Company

	Investment property revaluation reserve \$'000	Investment revaluation reserve \$'000	Capital reserve \$'000	Share premium \$'000	Retained profits \$'000	Total \$'000
At 1 January 2003	1,851,986	4,391	—	9,971	1,292,276	3,158,624
Revaluation deficit	(15,130)	—	—	—	—	(15,130)
Transfer to income statement upon disposal of investments in securities	—	(4,391)	—	—	—	(4,391)
Interim dividend paid	—	—	—	—	(29,026)	(29,026)
Final dividend paid	—	—	—	—	(96,754)	(96,754)
Net profit for the year	—	—	—	—	106,982	106,982
At 31 December 2003	<u>1,836,856</u>	<u>—</u>	<u>—</u>	<u>9,971</u>	<u>1,273,478</u>	<u>3,120,305</u>
At 1 January 2004	1,836,856	—	—	9,971	1,273,478	3,120,305
Revaluation surplus	197,122	—	—	—	—	197,122
Premium on issue of shares	—	—	—	560,250	—	560,250
Expenses on issue of shares	—	—	—	(12,305)	—	(12,305)
Interim dividend paid	—	—	—	—	(39,674)	(39,674)
Final dividend paid	—	—	—	—	(124,689)	(124,689)
Net profit for the year	—	—	—	—	107,267	107,267
At 31 December 2004	<u>2,033,978</u>	<u>—</u>	<u>—</u>	<u>557,916</u>	<u>1,216,382</u>	<u>3,808,276</u>

The Group's share of profits retained in the accounts of the associated companies at 31 December 2004 after minority interests were \$9,354,612 (2003: \$640,178).

The application of the share premium and the capital reserve is governed by Sections 48B and 49H respectively of the Hong Kong Companies Ordinance. The investment property revaluation reserve and investment revaluation reserve have been set up and will be dealt with in accordance with the accounting policies adopted for the revaluation of investment properties, non-trading securities and goodwill.

The revaluation reserves in respect of investment properties, non-trading securities and goodwill are not available for distribution to shareholders because they do not constitute realized profits within the meaning of Section 79B(2) of the Hong Kong Companies Ordinance.

Reserves of the Company available for distribution to shareholders at 31 December 2004 amounted to \$1,216,383,185 (2003: \$1,273,479,227).

24. Notes to consolidated cash flow statement

(a) Reconciliation of profit before taxation to net cash from/(used in) operating activities:

	2004	2003
	<i>\$'000</i>	<i>\$'000</i>
Profit before taxation	340,969	235,023
Adjustments for:		
Unclaimed dividend written back	(188)	(104)
Profit on disposal of investments in securities	—	(2,399)
Loss on disposal of other fixed assets	3	3
Share of profits less losses of associated companies	(12,889)	(7,496)
Impairment losses on land and buildings	4,429	—
Impairment loss on land held for future development	716	—
Interest income	(353)	(452)
Interest expenses	6,169	11,036
Income from listed securities	—	(1,014)
Depreciation	468	567
Operating profit before working capital changes	339,324	235,164
Decrease/(Increase) in inventories	116,674	(24,055)
Increase in trade and other receivables	(147,350)	(12,884)
Decrease/(Increase) in time deposits (pledged)	5,719	(5,719)
Decrease/(Increase) in loans and advances	16,075	(17,448)
Decrease/(Increase) in investments in securities	233,384	(395,401)
Increase in amount due from an associated company	(83)	—
Increase/(Decrease) in trade and other payables	271,439	(10,951)
Cash generated from/(used in) operations	835,182	(231,294)
Income from listed securities	—	1,005
Interest received	353	452
Interest paid	(20,416)	(32,077)
Profits tax paid	(23,694)	(21,374)
Profits tax refunded	1,623	398
Net cash from/(used in) operating activities	<u>793,048</u>	<u>(282,890)</u>

(b) Acquisition of a subsidiary

During the year, the Group acquired from Polytec Holdings, the entire issued share capital together with shareholder's loan of one of Polytec Holdings' wholly owned subsidiary. The company had entered into a co-investment agreement with another wholly owned subsidiary of Polytec Holdings in a property project in Macau. The consideration paid was \$400,000,000. The fair value of the assets of the company acquired were as follows:

	2004
	\$'000
Net assets acquired	
Interest in property development	400,000
Shareholder's loan	(175,699)
	<hr/>
Cash consideration paid for net assets	224,301
Cash consideration paid for shareholder's loan	175,699
	<hr/>
Cash outflow on acquisition of the subsidiary	400,000
	<hr/> <hr/>

25. Commitments

Commitments outstanding at 31 December not provided for in the accounts were as follows:

	Group		Company	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Contracted for				
— properties under development	610,470	35,171	—	—
— investment properties	24,756	17,580	24,620	17,580
— investments in securities	86,984	164,196	—	—
	<hr/>	<hr/>	<hr/>	<hr/>
	722,210	216,947	24,620	17,580
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Authorized but not contracted for				
— properties under development	4,862	231,617	—	—
— investment properties	—	480	—	480
	<hr/>	<hr/>	<hr/>	<hr/>
	4,862	232,097	—	480
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

26. Contingent liabilities

- (a) The Group and the Company have given guarantees to insurance companies in respect of performance bonds entered into by certain associated companies to the extent of \$13,867,000 (2003: \$6,952,000).
- (b) The Company has given guarantees in respect of banking facilities and other obligations of certain subsidiaries to the extent of \$757,317,000 (2003: \$634,300,000). The banking facilities and other obligations were utilized to the extent of \$597,459,000 (2003: \$446,300,000) at 31 December 2004.

27. Pledge of assets

At 31 December 2004, properties and securities of the Group with an aggregate carrying value of approximately \$3,960,362,000 (2003: \$3,936,841,000) and time deposits of Nil (2003: \$5,719,000) were pledged to banks under fixed charges to secure general banking facilities granted to the Group or as margin for the Group’s investments in securities .

28. Subsidiaries and associated companies

(a) Details of the principal subsidiaries of Kowloon Development Company Limited are as follows:

Subsidiary	Place of incorporation	Principal place of operation	Nominal value of issued ordinary share capital	Proportion of nominal value of shares held		Principal activities
				Direct	Indirect	
Atlantic Capital Limited	Hong Kong	Hong Kong	\$10,000	100%	—	Investment holding
Country House Property Management Limited	Hong Kong	Hong Kong	\$10,000	—	100%	Property management and security services
Elegant Florist Limited	British Virgin Islands	Hong Kong	US\$1	100%	—	Investment holding
Eversound Investments Limited	Hong Kong	Hong Kong	\$1,000,000	—	100%	Property investment
Future Star International Limited	British Virgin Islands	Hong Kong	US\$1	100%	—	Investment holding
Gargantuan Investment Limited	Hong Kong	Hong Kong	\$2	100%	—	Securities investment
Jumbo Power Enterprises Limited	Hong Kong	Hong Kong	\$2	—	100%	Property development
Jumbo Star Limited	British Virgin Islands	Hong Kong	US\$1	100%	—	Investment holding
King’s City Holdings Limited	Hong Kong	Hong Kong	\$2	—	100%	Property development

APPENDIX I

FINANCIAL INFORMATION ON THE GROUP

Subsidiary	Place of incorporation	Principal place of operation	Nominal value of issued ordinary share capital	Proportion of nominal value of shares held		Principal activities
				Direct	Indirect	
Kowloon Development Engineering Limited	Hong Kong	Hong Kong	\$2	100%	—	Construction
Kowloon Development Finance Limited	Hong Kong	Hong Kong	\$2,000,000	100%	—	Financial services
Manor House Holdings Limited	Hong Kong	Hong Kong	\$264,529,125	100%	—	Investment holding
Pak Hop Shing Company, Limited	Hong Kong	Hong Kong	\$2	—	100%	Property development
Roe Investment Limited	Hong Kong	Hong Kong	\$500,000	100%	—	Investment holding
Searson (Hong Kong) Limited	Hong Kong	Hong Kong	\$2	100%	—	Property development
Spark Team Limited	Hong Kong	Hong Kong	\$2	100%	—	Retail
To Kwa Wan Properties Limited	Hong Kong	Hong Kong	\$2	—	100%	Property investment
Top Milestone Developments Limited	British Virgin Islands	Macau	US\$100	—	100%	Project and securities investment
Town House Development Limited	Hong Kong	Hong Kong	\$10,000	100%	—	Property investment
Tyleelord Development & Agency Company Limited	Hong Kong	Hong Kong	\$100,000	—	100%	Property investment

APPENDIX I

FINANCIAL INFORMATION ON THE GROUP

Subsidiary	Place of incorporation	Principal place of operation	Nominal value of issued ordinary share capital	Proportion of nominal value of shares held		Principal activities
				Direct	Indirect	
Un Chau Properties Limited	Hong Kong	Hong Kong	\$2	—	100%	Property investment
Units Properties Limited	Hong Kong	Hong Kong	\$2	—	100%	Property investment
Union Way Management Limited	Hong Kong	Hong Kong	\$2	—	100%	Investment holding
Wealrise Investments Limited	Hong Kong	Hong Kong	\$2	—	100%	Property development and property investment
Brilliant Idea Investments Limited	British Virgin Islands	PRC	US\$100	85%	—	Investment holding
Cinema City Company Limited	Hong Kong	Hong Kong	\$1,000,000	—	85%	Film distribution
Cinema City (Film Production) Company Limited	Hong Kong	Hong Kong	\$5,000,000	—	85%	Film distribution
Golden Princess Amusement Company Limited	Hong Kong	Hong Kong	\$100,000	85%	—	Film distribution
Golden Princess Film Production Limited	Hong Kong	Hong Kong	\$10,000	—	85%	Film distribution

(b) Details of the associated companies of Kowloon Development Company Limited are as follows:

Associated company	Place of incorporation	Principal place of operation	Proportion of nominal value of shares indirectly held	Principal activities
Easy Living Property Management Limited	Hong Kong	Hong Kong	49% ordinary	Property management and security services
Sheen Choice Limited	Hong Kong	Hong Kong	49% ordinary	Investment holding
Jeeves (HK) Limited	Hong Kong	Hong Kong	43.125% ordinary	Dry cleaning and laundry services
Asiasoft Hong Kong Limited	Hong Kong	Asia	25.97% ordinary	Provision of information system products and services
Modern Living Property Management Limited	Hong Kong	Hong Kong	24.01% ordinary	Property management and security services
Southern Success Corporation	Cayman Islands	Asia	20% ordinary	Distribution and sales of footwear

29. Staff retirement scheme

The Group operates a defined contribution staff retirement scheme. Contributions under the scheme are charged to the income statement as incurred. The amount of contributions is based on a specified percentage of the basic salary of the eligible employees. Forfeited contributions in respect of unvested benefits of staff leavers utilized to reduce the Group’s ongoing contributions during the year amounted to \$41,225 (2003: \$21,761). There were no unutilized forfeited contributions at the balance sheet date of both years. The Group’s annual contribution for the year was \$712,465 (2003: \$756,921).

Contributions to the Mandatory Provident Funds of \$587,311 (2003: \$563,473) as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance were charged to the income statement for the year.

30. Material related party transactions

- (a) Polytec Holdings has guaranteed the due performance of a subsidiary of the Group in respect of its obligations under the development agreement as stated in note 11.
- (b) An amount of \$240,700,000 was received from a fellow subsidiary (*note 19*) during the year and was recorded under “Trade and other payables”.
- (c) Details of the acquisition of a subsidiary from Polytec Holdings during the year was set out in note 24(b). Polytec Holdings had advanced a loan to the Group in relation to this acquisition. Details of the loan and interest paid by the Group thereon are disclosed in notes 20 and 3(a) respectively.
- (d) Guarantees in respect of performance bonds provided for certain associated companies were disclosed in note 26.

31. Post balance sheet events

Some of the conditions under the provisional sale and purchase agreement for the acquisition of the property interest (*note 18*) had not been fulfilled by the vendor. The deposit of \$134.2 million was subsequently refunded to the Group with interest after the balance sheet date.

32. Comparative figures

For better presentation, financing business was reclassified from “others” to “financing and investments” in business segments disclosed in note 2(a) and the comparative figures had been restated accordingly.

33. Ultimate holding company

The directors consider the ultimate holding company at 31 December 2004 to be Polytec Holdings International Limited, incorporated in the British Virgin Islands.

4. INDEBTEDNESS

Borrowings

As at the close of business on 31 May 2005, being the latest practicable date for the indebtedness statement prior to the printing of this circular, the Group had total bank loans of approximately HK\$2,173 million, which comprise of secured bank loans of approximately HK\$600 million repayable within one year, HK\$209 million repayable in the second year and HK\$1,164 million repayable in the third to fifth year and unsecured bank loans of approximately HK\$200 million repayable within one year.

As at the close of business on 31 May 2005, the Group had a loan from its ultimate holding company, Polytec Holdings International Limited, of approximately HK\$4 million which was unsecured, bearing interest at the Hong Kong Interbank Offered Rate plus 0.5% per annum and repayable on or before 23 February 2007.

Pledge of assets

As at the close of business on 31 May 2005, certain assets of the Group including investment properties and inventories with carrying value of approximately HK\$3,404 million and HK\$695 million respectively, were pledged to banks to secure banking facilities granted to the Group.

Contingent liabilities

As at the close of business on 31 May 2005, the Group had the following contingent liabilities:

- (a) Guarantees had been given to insurance companies in respect of performance bonds entered into by certain associates amounted to approximately HK\$13.9 million.
- (b) A guarantee had been given in respect of banking facilities granted to an associate amounted to approximately HK\$1.7 million. The banking facilities were utilized to the extent of approximately HK\$1.0 million.

Disclaimer

Save for the aforesaid and apart from intra-group liabilities, the Group did not have, at the close of business on 31 May 2005, any debt securities issued and outstanding, or authorised or otherwise created but unissued, or term loans or bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, obligations under hire purchase contracts or finance leases, guarantees, or other material contingent liabilities.

5. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that upon the Completion of the Acquisition, and based on available banking and other facilities and internal resources of the Enlarged Group, the Enlarged Group has sufficient working capital for its present requirements for the next twelve months from the date of this circular.

6. TRADING PROSPECTS

Prices of investment properties and land in Hong Kong have soared rapidly during 2004, which has led to a general reduction in investment opportunities with attractive profit margin. In this connection, the Group has adjusted its strategy and reduced the pace of sales of development properties while leaving the Group's business development and earnings growth unaffected.

The Group's development projects are progressing well as planned and they will be released to the market in the appropriate time which will hopefully maximize profits and further strengthen the foundation for future development. La Baie Du Noble, a commercial and residential property development project in Macau which the Group owns an 80% interest, will be completed by the end of 2005 and is expected to make a significant contribution to the Group's results of 2005. The Group is now studying the feasibility of participating in a number of development projects and is confident in adding new development projects in 2005.

In light of the persistent high price of oil and rising interest rate, the Group will adopt prudent but proactive strategy in pursuit of investment opportunities with reasonable return in order to build a sound foundation for continuous business expansion and earnings growth.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2004, the date to which the latest audited consolidated financial statements of the Company were made up.

The following is the text of a report on the Shenzhen Properties, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, KLL Associates CPA Limited, Certified Public Accountants, Hong Kong.



KLL ASSOCIATES CPA LTD

華融會計師事務所有限公司

29th Floor, Wing On Centre,
111 Connaught Road Central,
Hong Kong

30 June 2005

The Board of Directors
Kowloon Development Company Limited

Dear Sirs,

We set out below our report on the financial information (“Financial Information”) regarding the 深圳市物業發展(集團)股份有限公司 (Shenzhen Properties & Resources Development (Group) Limited) (“Shenzhen Properties”) and its subsidiaries (hereinafter collectively referred to as the “Shenzhen Properties Group”) for the three years ended 31 December 2002, 2003 and 2004 (the “Relevant Periods”) for inclusion in the circular of Kowloon Development Company Limited (the “Company”) dated 30 June 2005 for the very substantial transaction in relation to the proposed acquisition of 70.3% interests in Shenzhen Properties (the “Circular”).

Shenzhen Properties was established in the People’s Republic of China (the “PRC”) on 17 January 1983 as a limited liability company. Shenzhen Properties was then converted to a joint stock limited company and listed on the Shenzhen Stock Exchange on 30 March 1992. The principal activities of the Shenzhen Properties Group are property development, investment and management, transportation, construction and property development consultancy.

As at the date of this report, the particulars of the consolidated subsidiaries of Shenzhen Properties are as follows:

Company	Place of establishment and operation	Date of establishment	Paid up registered capital RMB	Attributable equity interest held by Shenzhen Properties		Principal activities
				Directly %	Indirectly %	
海南新達開發總公司	PRC	22 December 1990	20,000,000	100	—	Property development and trading
深圳市國貿物業管理有限公司	PRC	24 August 1987	20,000,000	95	5	Property management
深圳市國管機電設備有限公司	PRC	12 April 1995	1,200,000	—	100	Mechanical and electrical equipment repair and maintenance

APPENDIX II

ACCOUNTANTS' REPORT ON SHENZHEN PROPERTIES

Company	Place of establishment and operation	Date of establishment	Paid up registered capital RMB	Attributable equity interest held by Shenzhen Properties		Principal activities
				Directly %	Indirectly %	
深圳市天關電梯技術有限公司	PRC	30 June 1994	5,000,000	—	100	Escalation repair and maintenance
重慶深國貿物業管理有限公司	PRC	14 August 1997	5,000,000	—	100	Property management
深圳市國貿餐飲有限公司	PRC	13 June 2002	2,000,000	80	20	Restaurant operation and wine merchandise
深圳市皇城地產有限公司	PRC	6 August 1988	30,000,000	95	5	Property development, construction and management
深圳市皇城物業管理有限公司	PRC	2 December 2003	5,000,000	—	100	Property management
深圳市物業工程開發公司	PRC	12 August 1986	30,950,000	100	—	Property development and construction
四川天和實業有限公司	PRC	24 October 2003	8,000,000	—	100	Trading
上海深圳物業發展有限公司	PRC	18 June 1997	50,000,000	90	10	Property management and construction
上海深圳物業管理公司	PRC	19 July 1994	300,000	—	100	Property management
深圳市國貿汽車實業有限公司	PRC	21 January 1985	29,850,000	90	10	Transportation and vehicles rental service
深圳市國貿小汽車出租有限公司	PRC	5 May 1994	16,000,000	—	100	Transportation and vehicles rental service
深圳市國貿石油有限公司	PRC	22 November 1993	700,000	—	100	Petrol sales
深圳市國貿商場有限公司	PRC	24 June 1986	12,000,000	95	5	Retailing of general merchandise
深圳物業工程建設監理有限公司	PRC	22 September 1997	2,000,000	90	10	Property development consultancy services

Note: During the Relevant Periods, all these subsidiaries were held by Shezhen Properties. These subsidiaries had been consolidated as at 31 December 2002, 2003 and 2004, except that 深圳市國貿商場有限公司 and 深圳物業工程建設監理有限公司 had not been consolidated as at 31 December 2003 and 2004. The reason for unconsolidation is that 深圳市國貿商場有限公司 became dormant since 2003 and 深圳物業工程建設監理有限公司 was planned to be disposed of since 2003.

The statutory financial statements of the companies comprising the Shenzhen Properties Group for the year ended 31 December 2002, 2003 and 2004 were prepared in accordance with the applicable accounting principles and financial regulations in the PRC and were audited by 武漢眾環會計師事務所有限公司 (Wuhan Zhong Huan Certified Public Accountants Company Limited), Certified Public Accountants registered in the PRC.

For the purpose of Shenzhen Properties' A shares which are listed on the Shenzhen Stock Exchange since 30 March 1992, the consolidated financial statements of Shenzhen Properties for the Relevant Periods were prepared in accordance with the relevant accounting principles and financial regulations applicable to companies established in the PRC and were audited by 武漢眾環會計師事務所有限公司.

For the purpose of Shenzhen Properties' B shares which are listed on the Shenzhen Stock Exchange since 30 March 1992, Shenzhen Properties also prepared a set of consolidated financial statements in accordance with International Financial Reporting Standards ("IFRSs") for the Relevant Periods and were audited by us.

For the purpose of this report, we have undertaken independent audit procedures in accordance with Statements of Auditing Standard issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") on the consolidated financial statements of Shenzhen Properties Group for the Relevant Periods ("Underlying Financial Statements"), which were prepared in accordance with IFRSs. We have made adjustments as we consider appropriate to the Underlying Financial Statements to conform with the accounting policies referred to in note 3, which are in compliance with Hong Kong Financial Reporting Standards as issued by the HKICPA. We have also examined the Underlying Financial Statements for the Relevant Periods in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

The Financial Information for the Relevant Periods set out in this report has been prepared based on the Underlying Financial Statements. The directors of Shenzhen Properties are responsible for preparing the Underlying Financial Statements which give a true and fair view. In preparing the Underlying Financial Statements, it is fundamental that appropriate accounting policies are selected and applied consistently.

The Financial Information are the responsibility of the directors of Shenzhen Properties who approved for their issue. It is our responsibility to form an independent opinion, based on our examination, on the Financial Information and to report our opinion.

However, the evidence available to us was limited as we were unable to carry out auditing procedures necessary to obtain adequate assurance regarding the results and assets and liabilities of certain subsidiaries of Shenzhen Properties which were not consolidated in the Financial Information as fully disclosed in note 17 to the Financial Information. This is not in accordance with the Statement of Standard Accounting Practice 32 "Consolidated Financial Statements

and Accounting for Subsidiaries” issued by the HKICPA. There were no other satisfactory audit procedures that we could adopt to obtain adequate assurance regarding the results, assets and liabilities of these unconsolidated subsidiaries.

Based on the unaudited management accounts prepared under PRC generally accepted accounting standards of the subsidiaries not consolidated, their total assets and total liabilities as at the end of each year and net loss for each year during the Relevant Periods were as follows:

	At 31 December		
	2004	2003	2002
	RMB'000	RMB'000	RMB'000
Total assets	127,896	226,814	315,235
Total liabilities	320,329	346,662	426,857
Net loss for the year	(530)	(29,027)	(15,625)

FUNDAMENTAL UNCERTAINTY RELATING TO THE OUTCOME OF CERTAIN LITIGATIONS

In forming our opinion, we have considered the adequacy of the disclosures made in note 30 to the Financial Information concerning the possible outcome of certain litigations against the Group for breach of contracts of sale and purchase of realty properties by the Shenzhen Properties Group on the grounds of its failure to complete the contracts as scheduled. The future settlement of these litigations might result in additional liabilities to the Shenzhen Properties Group. As at 31 December 2004, a provision of approximately RMB50 million has been made for such litigations, as fully disclosed in note 25 to the Financial Information.

We consider that appropriate disclosures have been made in respect of the fundamental uncertainty relating to the possible outcome from the outstanding litigations, our opinion is not qualified in these respects.

QUALIFIED OPINION ARISING FROM LIMITATION OF SCOPE AND DISAGREEMENT ABOUT ACCOUNTING TREATMENT

In our opinion, except for any adjustments that might have been found to be necessary had we been able to obtain adequate assurance regarding the effect of the results and assets and liabilities of the unconsolidated subsidiaries on the Shenzhen Properties Group’s results, assets and liabilities, the Financial Information, for the purpose of this report, gives a true and fair view of the results and cashflows of Shenzhen Properties Group for the Relevant Period and the balance sheet of the Shenzhen Properties Group as at 31 December 2002, 2003 and 2004.

CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	Year ended 31 December		
		2004	2003	2002
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	<i>4</i>	1,326,290	1,079,474	778,312
Cost of sales		<u>(902,525)</u>	<u>(716,219)</u>	<u>(547,141)</u>
Gross profit		423,765	363,255	231,171
Other income	<i>5</i>	12,901	67,553	61,070
Administrative expenses		(208,840)	(111,370)	(111,604)
Distribution costs		(33,219)	(34,491)	(34,689)
Other operating expenses		<u>(18,843)</u>	<u>(55,823)</u>	<u>(18,418)</u>
Profit from operations	<i>7</i>	175,764	229,124	127,530
Finance costs	<i>10</i>	(41,293)	(30,560)	(48,416)
Share of results of associates		<u>3,692</u>	<u>(11,091)</u>	<u>650</u>
Profit before taxation		138,163	187,473	79,764
Taxation	<i>11</i>	<u>(35,710)</u>	<u>(44,675)</u>	<u>(9,887)</u>
Profit after taxation and attributable to shareholders		<u>102,453</u>	<u>142,798</u>	<u>69,877</u>
Earnings per share	<i>12</i>			
Basic		<u>RMB0.19</u>	<u>RMB0.26</u>	<u>RMB0.13</u>
Diluted		<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

CONSOLIDATED BALANCE SHEET

		At 31 December		
		2004	2003	2002
	Notes	RMB'000	RMB'000	RMB'000
Non-current assets				
Investment properties	14	418,327	419,725	429,599
Property, plant and equipment	15	155,677	125,907	123,998
Intangible assets	16	59,792	61,704	63,314
Interests in unconsolidated subsidiaries	17	5,096	32,024	87,762
Interests in associates	18	107,235	120,148	216,904
Investments in securities	19	13,036	17,036	19,776
Pledged bank balances	23	—	—	3,000
		<u>759,163</u>	<u>776,544</u>	<u>944,353</u>
Current assets				
Inventories	20	1,316,712	1,397,145	1,434,843
Trade debtors, prepayments and other debtors	21	135,850	140,748	101,985
Trading securities	22	10,062	14,305	16,810
Cash and bank balances	23	<u>240,234</u>	<u>266,624</u>	<u>251,531</u>
		<u>1,702,858</u>	<u>1,818,822</u>	<u>1,805,169</u>
Current liabilities				
Trade and other creditors	24	865,356	864,424	1,129,625
Provisions	25	58,602	50,002	—
Tax payable		68,314	51,833	874
Borrowings	26	<u>559,980</u>	<u>777,500</u>	<u>785,000</u>
		<u>1,552,252</u>	<u>1,743,759</u>	<u>1,915,499</u>
Net current assets/(liabilities)		<u>150,606</u>	<u>75,063</u>	<u>(110,330)</u>
Total assets less current liabilities		<u>909,769</u>	<u>851,607</u>	<u>834,023</u>
Non-current liabilities				
Borrowings	26	96,000	130,000	250,000
Deferred income	27	<u>38,235</u>	<u>40,009</u>	<u>40,463</u>
		<u>134,235</u>	<u>170,009</u>	<u>290,463</u>
		<u>775,534</u>	<u>681,598</u>	<u>543,560</u>
Capital and reserves				
Share capital	28	541,799	541,799	541,799
Reserves		<u>233,735</u>	<u>139,799</u>	<u>1,761</u>
		<u>775,534</u>	<u>681,598</u>	<u>543,560</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital <i>RMB'000</i>	Statutory capital reserve <i>RMB'000</i>	Public welfare fund <i>RMB'000</i>	Translation reserve <i>RMB'000</i>	Investment properties revaluation reserve <i>RMB'000</i>	Accumulated losses <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2002	541,799	256,806	79,511	14,639	—	(587,851)	304,904
Profit for the year	—	—	—	—	—	69,877	69,877
Increase on revaluation of investment properties	—	—	—	—	183,418	—	183,418
Exchange difference arising on unconsolidation of foreign subsidiaries of the Shenzhen Properties Group	—	—	—	(14,639)	—	—	(14,639)
Transfer of reserve (Note)	—	31,540	—	—	—	(31,540)	—
At 31 December 2002	541,799	288,346	79,511	—	183,418	(549,514)	543,560
Profit for the year	—	—	—	—	—	142,798	142,798
Decrease on revaluation of investment properties	—	—	—	—	(4,760)	—	(4,760)
Transfer of reserve (Note)	—	59,319	—	—	—	(59,319)	—
At 31 December 2003	541,799	347,665	79,511	—	178,658	(466,035)	681,598
Profit for the year	—	—	—	—	—	102,453	102,453
Decrease on revaluation of investment properties	—	—	—	—	(8,517)	—	(8,517)
Transfer of reserve (Note)	—	2,456	—	—	—	(2,456)	—
At 31 December 2004	<u>541,799</u>	<u>350,121</u>	<u>79,511</u>	<u>—</u>	<u>170,141</u>	<u>(366,038)</u>	<u>775,534</u>

Note: Transfer of reserves was made in accordance with relevant laws and regulations in the PRC.

CONSOLIDATED CASH FLOW STATEMENT

	Year ended 31 December		
	2004	2003	2002
	RMB'000	RMB'000	RMB'000
Profit from ordinary activities before taxation	138,163	187,473	79,764
Adjustments for:			
Share of results of associates	(3,692)	11,091	(650)
Interest expense	41,293	30,560	48,416
Interest income	(1,978)	(2,080)	(4,068)
Provision for litigation	8,600	50,002	—
Provision for inventories	—	—	19,832
Impairment loss on investment in securities	4,000	2,107	6,305
Depreciation of property, plant and equipment	16,771	15,058	16,444
Amortisation of intangible assets	3,043	1,882	1,880
Loss/(gain) on disposal of property, plant and equipment	744	(3,303)	(10,840)
Unrealised loss on trading securities	7,838	2,169	—
Realised loss on disposal of trading securities	62	—	—
Deferred income released to income statement for the year	(7,204)	(2,185)	(1,706)
Operating cash flows before movements in working capital	207,640	292,774	155,377
Decrease/(increase) in inventories	43,714	71,701	(226,995)
Decrease/(increase) in trade debtors, prepayment and other debtors	4,898	(38,763)	176,575
Increase/(decrease) in trade and other creditors	932	(265,201)	(16,536)
Additions to deferred income	5,430	1,731	40,145
Cash generated by operations	262,614	62,242	128,566
Interest paid	(47,689)	(81,708)	(103,254)
Taxes (paid)/refunded	(19,229)	6,284	(39,531)
Net cash flows from/(used in) operating activities	195,696	(13,182)	(14,219)
Investing activities			
Decrease/(increase) in investments in unconsolidated subsidiaries	4,990	25,645	(70,066)
Decrease/(increase) in amount due from an unconsolidated subsidiary	21,938	30,093	(30,416)
Increase in investments in associates	—	—	66,744
Decrease/(increase) in amounts due from associates	16,605	85,665	(156,842)
Interest received	1,978	2,080	4,068
Purchase of property, plant and equipment	(21,324)	(13,466)	(4,029)
Proceeds from disposal of property, plant and equipment	10,035	22,061	100,344
(Purchase)/Proceeds from disposal of trading securities	(3,657)	336	17,692
Proceeds from disposal/(Purchase) of investment in securities, net	—	633	(2,191)
Purchase of intangible assets	(1,131)	(272)	—
Net cash flows from/(used in) investing activities	29,434	152,775	(74,696)

CONSOLIDATED CASH FLOW STATEMENT

	Year ended 31 December		
	2004	2003	2002
	RMB'000	RMB'000	RMB'000
Financing activities			
New bank loans raised	473,600	589,000	338,600
Repayments of bank loans	(725,120)	(716,500)	(259,794)
(Increase)/decrease in pledged bank deposits	(12,600)	3,000	8,100
Dividend paid	—	—	(29,454)
Net cash (used in)/flows from financing activities	<u>(264,120)</u>	<u>(124,500)</u>	<u>57,452</u>
(Decrease)/increase in cash and cash equivalents	(38,990)	15,093	(31,463)
Cash and cash equivalents at beginning of year	<u>266,624</u>	<u>251,531</u>	<u>282,994</u>
Cash and cash equivalents at end of year	<u><u>227,634</u></u>	<u><u>266,624</u></u>	<u><u>251,531</u></u>
Analysis of balance of cash and cash equivalents			
Cash and bank balances	240,234	266,624	251,531
Less: Pledged bank deposit	<u>(12,600)</u>	<u>—</u>	<u>—</u>
	<u><u>227,634</u></u>	<u><u>266,624</u></u>	<u><u>251,531</u></u>

NOTES TO THE FINANCIAL INFORMATION**1. CORPORATE INFORMATION**

Shenzhen Properties is a joint stock limited company established in the PRC. Shenzhen Properties is a subsidiary of 深圳市建設投資控股公司, a company established in the PRC, which is considered by the directors to be the ultimate holding company of Shenzhen Properties.

The Shenzhen Properties Group are principally engaged in property development, investment and management, transportation, construction and property development consultancy.

2. IMPACT OF RECENTLY ISSUED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

The HKICPA has issued a number of new and revised HKFRSs and Hong Kong Accounting Standards (collectively “new HKFRSs”) which are effective for accounting periods beginning on or after 1 January 2005. Shenzhen Properties Group has not early adopted these new HKFRSs in the Relevant Periods. Shenzhen Properties Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

3. PRINCIPAL ACCOUNTING POLICIES

The Financial Information has been prepared under the historical cost convention as modified by the revaluation of investment properties.

The following principal accounting policies are adopted by the Shenzhen Properties Group in preparing the financial statements in accordance with HKFRSs.

(a) Basis of consolidation

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

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

All significant intercompany transactions and balances within the Shenzhen Properties Group have been eliminated on consolidation.

(b) Investments in unconsolidated subsidiaries

Investments in unconsolidated subsidiaries are included in the consolidated balance sheet at cost less any identified impairment loss. The results of the subsidiaries are accounted for on the basis of dividends received or receivable.

(c) Interests in associates

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

(d) Goodwill

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

Goodwill is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

(e) Property, plant and equipment

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

Deprecation is calculated on the straight-line method to write off the cost of each asset, to their residual values over their estimated useful lives as follows:

Leasehold land and buildings	20 to 25 years
Leasehold improvements	5 years
Motor vehicles	5 years
Fixtures and equipment	5 years

Gains or losses on disposal are determined by comparing proceeds with carrying amount and are included in operating profit.

(f) Intangible assets

Intangible assets represent the cost of acquisition of taxi licenses and are stated at cost less amortisation and impairment losses, if necessary, for any permanent diminution in value. Amortisation is provided to write off the cost of taxi licenses over the license period granted by relevant authorities, which is 20 years.

(g) Investment properties

Interests in land and buildings held for rental purposes are recorded as investment properties and are not subject to periodic charges of depreciation except where the unexpired term of the lease is twenty years or less. They have been valued annually by an independent firm of professional surveyors on an open market value basis calculated by reference to net rental income allowing for reversionary income potential. Changes in the value of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit on a portfolio basis, the excess of the deficit is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus will be credited to the income statement to the extent of the deficit previously charged.

Upon disposal of investment properties, the related portion of surpluses or deficits previously taken to the investment property revaluation reserve is transferred to the income statement.

(h) Investment in securities

All securities other than held-to-maturity debt securities are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, unrealised gains and losses are included in income statement for the period. For other securities, unrealised gains and losses are dealt with

in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the income statement for the period.

(i) Properties held for sale under development

Properties held for sale under development are stated at cost less provision for anticipated losses, where appropriate. Cost includes cost of land use rights acquired, development cost and borrowing costs capitalised.

(j) Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and the estimated net realisable value. Cost includes cost of land use rights acquired, development cost and borrowing costs capitalised. Net realisable value represents the estimated selling price less the estimated costs necessary to make the sale.

(k) Other inventories

Other inventories are stated at the lower of cost and net realisable value. Costs, which comprise all costs of purchase, are calculated using the weighted average method. Net realisable value represents the estimated selling prices less all estimated costs of completion and selling expenses.

(l) Impairment loss

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

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

(m) Revenue recognition

Revenue from sale of property is recognised when sales agreements are signed between the Shenzhen Properties Group and the customers, deposits are received from customers in full amount, and the relevant risks and rewards were transferred to the customers.

Revenue from the sale of goods is recognised upon the transfer of risks and rewards of ownership.

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

Interest income is recognised on a time proportion basis taking into account the principal amounts outstanding and the interest rates applicable.

(n) Retirement benefit scheme contribution

The employees of the Shenzhen Properties Group in the PRC are members of state-managed retirement benefit schemes operated by the PRC government. The Shenzhen Properties Group is required to contribute a specified percentage of their payroll costs as determined by relevant municipal

governments in the PRC to the retirement benefit scheme to fund the benefits. The only obligation of the Shenzhen Properties Group with respect to the retirement benefit scheme is to make the contributions at the rates specified in the rules of the schemes.

(o) Taxation

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

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

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

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

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

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

(p) Foreign currencies translation

The Shenzhen Properties Group maintain their books and records in Renminbi ("RMB"). Transactions in foreign currencies are translated at exchange rates quoted by the People's Bank of China at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into RMB at the exchange rate quoted by the People's Bank of China at the balance sheet date. All exchange differences are dealt with in the income statement.

The financial statements of subsidiaries and associates expressed in foreign currencies are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with as a movement in reserves.

(q) Operating lease

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases.

Rentals income and expenses under operating leases are credited/charged to the consolidated income statement on a straight-line basis over the term of the relevant lease.

(r) Cash and cash equivalents

Cash and cash equivalents comprise short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from bank repayable within three months from the date of the advances.

(s) Provisions

Provisions are recognised when the Shenzhen Properties Group has a present obligation as a result of a past event and it is probable that it will result in the outflow of economic benefits that can be reasonably estimated.

(t) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

4. TURNOVER

An analysis of the Shenzhen Properties Group turnover is as follows:

	Year ended 31 December		
	2004	2003	2002
	RMB'000	RMB'000	RMB'000
Sale of properties	1,112,296	903,550	529,638
Sale of petrol and general merchandise	34,294	37,980	101,352
Taxi services	33,506	28,359	33,556
Property rental and management services income	133,217	103,643	104,824
Hotel and restaurant operations	12,977	5,942	5,755
Others	—	—	3,187
	<u>1,326,290</u>	<u>1,079,474</u>	<u>778,312</u>

5. OTHER INCOME

	Year ended 31 December		
	2004	2003	2002
	RMB'000	RMB'000	RMB'000
Interest on bank deposits	1,978	2,080	4,068
Income from subcontractor	—	—	9,000
Gain on disposal of property, plant and equipment and investment properties	—	3,303	10,840
Gain from debts restructuring	2,456	59,319	31,540
Rental income from car parking space	5,030	1,289	2,088
Others	3,437	1,562	3,534
	<u>12,901</u>	<u>67,553</u>	<u>61,070</u>

6. SEGMENTS REPORTING

(a) Business segment

For management purposes, the Shenzhen Properties Group is organised into three major operating divisions — property development, investment and management, trading, and transportation and catering services. The divisions are the basis on which the Shenzhen Properties Group reports its primary segment information.

Principal activities are as follows:

Property development, investment and management	—	construction, sales, leasing and management of properties
Trading	—	sale of general merchandise
Transportation and catering services	—	hotel and restaurant operation and provision of taxi services

For the two years ended 31 December 2003 and 2004, over 90% of the Shenzhen Properties Group’s revenue, results and assets are attributable to the property development, investment and management business.

Segment information about these businesses for the year ended 31 December 2002 is presented below:

	Property development, investment and management <i>RMB'000</i>	Trading <i>RMB'000</i>	Transportation and catering services <i>RMB'000</i>	Eliminations <i>RMB'000</i>	Consolidated <i>RMB'000</i>
Revenue					
External sales	634,462	101,352	42,498	—	778,312
Inter-segment sales	12,508	—	—	(12,508)	—
Total revenue	<u>646,970</u>	<u>101,352</u>	<u>42,498</u>	<u>(12,508)</u>	<u>778,312</u>

	Property development, investment and management <i>RMB'000</i>	Trading <i>RMB'000</i>	Transportation and catering services <i>RMB'000</i>	Consolidated <i>RMB'000</i>
RESULTS				
Segment results	<u>175,563</u>	<u>30,702</u>	<u>24,906</u>	231,171
Unallocated revenue				61,070
General administrative expenses and unallocated corporate expenses				<u>(164,711)</u>
Profit from operations				127,530
Finance costs				(48,416)
Share of results of associates				<u>650</u>
Profit before taxation				79,764
Taxation				<u>(9,887)</u>
Profit after taxation and attributable to shareholders				<u>69,877</u>
	Property development, investment and management <i>RMB'000</i>	Trading <i>RMB'000</i>	Transportation and catering services <i>RMB'000</i>	Consolidated <i>RMB'000</i>
ASSET				
Segment assets	<u>1,992,568</u>	<u>37,862</u>	<u>123,309</u>	2,153,739
Interests in unconsolidated subsidiaries				87,762
Interests in associates				216,904
Unallocated corporate assets				<u>291,117</u>
Consolidated total assets				<u>2,749,522</u>
LIABILITIES				
Segment liabilities	1,042,503	11,371	116,214	1,170,088
Unallocated corporate liabilities				<u>1,035,874</u>
Consolidated total liabilities				<u>2,205,962</u>
OTHER INFORMATION				
Capital expenditures	3,810	23	196	4,029
Depreciation on property, plant and equipment	15,196	121	1,127	16,444
Amortisation on intangible assets	<u>—</u>	<u>—</u>	<u>1,880</u>	<u>1,880</u>

(b) Geographical segment

During the Relevant Periods, all of the Shenzhen Properties Group's businesses were derived from activities in the PRC and all of its assets were located in the PRC as at 31 December 2002, 2003 and 2004.

7. PROFIT FROM OPERATIONS

Profit from operations has been arrived at:

	Year ended 31 December		
	2004	2003	2002
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
After charging			
Auditors remuneration	500	500	400
Staff costs (including directors' remuneration (<i>Note 8</i>))			
— Salaries and wages	111,965	73,781	73,233
— Pension scheme contribution	15,843	11,904	3,582
Total staff costs	127,808	85,685	76,815
Depreciation of property, plant and equipment	16,771	15,058	16,444
Amortisation of intangible assets	3,043	1,882	1,880
Provisions for litigations	8,600	50,002	—
Impairment loss of investments in securities	4,000	2,107	6,305
Provision for inventories	—	—	19,832
Unrealised losses on trading securities	7,838	2,169	—
Realised loss on disposal of trading securities	62	—	—
Loss on disposal of property, plant and equipment	744	—	—
	<u> </u>	<u> </u>	<u> </u>

8. DIRECTORS' REMUNERATION

	Year ended 31 December		
	2004	2003	2002
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Fees	—	—	—
Salaries, allowances and benefits in kind	3,395	3,209	1,959
Pension scheme contributions	62	57	62
	<u> </u>	<u> </u>	<u> </u>
	<u>3,457</u>	<u>3,266</u>	<u>2,021</u>

The number of directors whose remuneration fell within the following band is as follows:

	Year ended 31 December		
	2004	2003	2002
	Number of directors	Number of directors	Number of directors
Nil to HK\$1,000,000 (RMB1,060,000)	<u>11</u>	<u>11</u>	<u>10</u>

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees in the Shenzhen Properties Group during the Relevant Periods included four directors and information relating to their emoluments has been disclosed above. The emoluments of the remaining one highest paid, non-director individual during the Relevant Periods are as follows:

	Year ended 31 December		
	2004	2003	2002
	RMB'000	RMB'000	RMB'000
Salaries, allowances and benefits in kind	760	752	375
Pension scheme contributions	12	11	10
	<u>772</u>	<u>763</u>	<u>385</u>

The number of non-director, highest paid employees whose remuneration fell within the following band is as follows:

	Year ended 31 December		
	2004	2003	2002
	Number of employees	Number of employees	Number of employees
Nil to HK\$1,000,000 (RMB1,060,000)	<u>1</u>	<u>1</u>	<u>1</u>

10. FINANCE COSTS

	Year ended 31 December		
	2004	2003	2002
	RMB'000	RMB'000	RMB'000
Interest on bank and other loans	47,689	81,708	103,254
Less: interest capitalised	(6,396)	(51,148)	(54,838)
	<u>41,293</u>	<u>30,560</u>	<u>48,416</u>

11. TAXATION

	Year ended 31 December		
	2004	2003	2002
	RMB'000	RMB'000	RMB'000
The charge comprises:			
PRC enterprise income tax for the year	<u>35,710</u>	<u>44,675</u>	<u>9,887</u>

The Shenzhen Properties Group provided for income tax on the estimated assessable profit at the rate of 15% during the Relevant Periods.

The charge for the year is reconciled to the profit per the consolidated income statement as follows:

	Year ended 31 December		
	2004 RMB'000	2003 RMB'000	2002 RMB'000
Profit before taxation	138,163	187,473	79,764
Tax at the domestic income tax rate of 15%	20,724	28,121	11,965
Tax effect of expenses and income that are not deductible or assessable in determining taxable profit	10,665	7,611	(4,526)
Effect of different tax rates of subsidiaries and associates	4,321	8,943	2,448
	35,710	44,675	9,887

12. EARNINGS PER SHARE

The calculation of earnings per share is based on the Shenzhen Properties Group's profit attributable to shareholders of RMB102,453,000, RMB142,798,000 and RMB69,877,000 for the year ended 31 December 2004, 2003 and 2002, respectively, and the 541,799,175 shares in issue during the Relevant Periods. No diluted earnings per share is presented since there is no potential dilutive ordinary share during the Relevant Periods.

13. DIVIDEND

No dividend has been declared by Shenzhen Properties during the Relevant Periods.

14. INVESTMENT PROPERTIES

	At 31 December		
	2004 RMB'000	2003 RMB'000	2002 RMB'000
At 1 January	419,725	429,599	133,998
Additions	9,166	905	126,784
Disposals	(2,047)	(6,019)	(14,601)
Revaluation (decrease)/increase	(8,517)	(4,760)	183,418
At 31 December	418,327	419,725	429,599

Investment properties were valued at their open market value at 31 December 2004, 2003 and 2002 by DTZ Debenham Tie Leung Limited, an independent firm of professional surveyors. This valuation gave rise to a revaluation decrease of approximately RMB8,517,000 and RMB4,760,000 and increase of approximately RMB183,418,000 which has been charged/credited to the investment properties revaluation reserve for the year ended 31 December 2004, 2003 and 2002 respectively.

All of the Shenzhen Properties Group's investment properties were rented out under operating leases.

The investment properties are located in the PRC and held under medium term leases.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Fixture and equipment RMB'000	Total RMB'000
COST					
At 1 January 2002	174,133	33,744	65,277	32,307	305,461
Transferred from inventories	3,575	—	—	—	3,575
Additions	—	—	2,883	1,146	4,029
Disposals	(78,764)	—	(14,767)	(4,966)	(98,497)
At 31 December 2002	98,944	33,744	53,393	28,487	214,568
Transferred from inventories	16,240	—	—	—	16,240
Additions	—	3,699	8,316	1,451	13,466
Disposals	(18,815)	—	(20,729)	(2,708)	(42,252)
At 31 December 2003	96,369	37,443	40,980	27,230	202,022
Transferred from inventories	33,949	—	—	—	33,949
Additions	10,567	35	8,496	2,226	21,324
Disposals	(7,679)	—	(13,971)	(1,490)	(23,140)
At 31 December 2004	133,206	37,478	35,505	27,966	234,155
ACCUMULATED DEPRECIATION					
At 1 January 2002	34,744	8,327	38,206	16,443	97,720
Charge for the year	3,557	2,617	8,276	1,994	16,444
Eliminated on disposals	(6,927)	—	(11,813)	(4,854)	(23,594)
At 31 December 2002	31,374	10,944	34,669	13,583	90,570
Charge for the year	3,923	2,617	6,927	1,591	15,058
Eliminated on disposals	(8,457)	—	(19,137)	(1,919)	(29,513)
At 31 December 2003	26,840	13,561	22,459	13,255	76,115
Charge for the year	7,179	830	6,699	2,063	16,771
Eliminated on disposals	(1,249)	—	(11,948)	(1,211)	(14,408)
At 31 December 2004	32,770	14,391	17,210	14,107	78,478
NET BOOK VALUE					
At 31 December 2004	<u>100,436</u>	<u>23,087</u>	<u>18,295</u>	<u>13,859</u>	<u>155,677</u>
At 31 December 2003	<u>69,529</u>	<u>23,882</u>	<u>18,521</u>	<u>13,975</u>	<u>125,907</u>
At 31 December 2002	<u>67,570</u>	<u>22,800</u>	<u>18,724</u>	<u>14,904</u>	<u>123,998</u>

The land and buildings are located in the PRC and held under medium term leases.

16. INTANGIBLE ASSETS

RMB'000

COST

At 1 January 2002 and 31 December 2002	88,812
Additions	<u>272</u>
At 31 December 2003	89,084
Additions	<u>1,131</u>
At 31 December 2004	<u>90,215</u>

AMORTISATION

At 1 January 2002	23,618
Provide for the year	<u>1,880</u>
At 31 December 2002	25,498
Provide for the year	<u>1,882</u>
At 31 December 2003	27,380
Provide for the year	<u>3,043</u>
At 31 December 2004	<u>30,423</u>

NET BOOK VALUE

At 31 December 2004	<u><u>59,792</u></u>
At 31 December 2003	<u><u>61,704</u></u>
At 31 December 2002	<u><u>63,314</u></u>

Intangible assets are taxi licenses acquired since May 1995. Amortisation is provided to write off the cost of taxi licenses over the license period of 20 years.

17. INTERESTS IN UNCONSOLIDATED SUBSIDIARIES

	At 31 December		
	2004	2003	2002
	RMB'000	RMB'000	RMB'000
Cost of investments	100,658	100,658	116,950
Provision for impairment	(76,041)	(71,051)	(61,698)
	24,617	29,607	55,252
Amounts due from unconsolidated subsidiaries	20,000	41,938	72,031
Amounts due to unconsolidated subsidiaries	(39,521)	(39,521)	(39,521)
	5,096	32,024	87,762

The balances with unconsolidated subsidiaries are unsecured, non-interest bearing and are not repayable within twelve months.

No goodwill was attributable to the unconsolidated subsidiaries.

Details of subsidiaries excluded from the consolidation at 31 December 2002, 2003 and 2004 are as follows:

Name of subsidiary	Proportion of ownership interest/ voting power held		Principal activities	Place of incorporation/ establishment and operations
	Direct %	Indirect %		
Shum Yip Properties Development Limited	100	—	Property development	Hong Kong
Wayhang Development Limited	100	—	Dormant	Hong Kong
Chief Link Properties Limited	70	—	Dormant	Hong Kong
Syndis Investment Company Limited	—	70	Dormant	Hong Kong
Chatswood Investment & Development Co. Pty. Ltd. (Note (b))	—	100	Dormant	Australia
East Land Properties Limited	100	—	Dormant	Hong Kong
深圳市國貿商場有限公司 (Note (c))	95	5	Retailing of general merchandise	PRC
深圳物業工程建設監理公司 (Note (c))	90	10	Property development consultancy services	PRC
深圳國貿廣場物業發展有限公司	70	—	Property investment and development	PRC
深圳國貿貿易中心	100	—	Dormant	PRC
惠陽市深惠發展公司	100	—	Property development	PRC

APPENDIX II

ACCOUNTANTS' REPORT ON SHENZHEN PROPERTIES

Name of subsidiary	Proportion of ownership interest/ voting power held		Principal activities	Place of incorporation/ establishment and operations
	Direct %	Indirect %		
深圳市龍耀房地產開發公司	100	—	Dormant	PRC
深圳市房地產交易所	100	—	Property development	PRC
深杉公司	100	—	Dormant	PRC
大連深圳物業發展有限公司 (Note (b))	100	—	Property development	PRC
深圳市物業發展集團湛江分公司	—	100	Property development	PRC
深圳市國貿汽車貨運有限公司	—	100	Dormant	PRC
深圳市國貿汽車實業公司汽配總匯	—	100	Dormant	PRC
深圳市國貿汽車實業公司汽車修配廠	—	100	Dormant	PRC
深圳特速機動車駕駛員培訓中心有限公司	—	100	Driver training	PRC
南京深圳物業發展有限公司 (Note (b))	—	100	Property development	PRC
深圳市物業建築設計公司 (Note (a))	—	100	Dormant	PRC
深圳深亞環境科學工程開發中心	—	60	Dormant	PRC

- (a) The subsidiary was disposed in 2003.
- (b) The subsidiaries were liquidated in 2004.
- (c) The financial statements of these subsidiaries were not consolidated in the Financial Information of the Shenzhen Properties Group during Relevant Periods except for the year ended 31 December 2002. The reason for the unconsolidation is that 深圳市國貿商場有限公司 became dormant since 2003 and 深圳物業工程建設監理公司 was planned to be disposed of since 2003.

The following details have been extracted and summarized from the unaudited management accounts prepared under PRC generally accepted accounting standards of these unconsolidated subsidiaries:

	At 31 December		
	2004 RMB'000	2003 RMB'000	2002 RMB'000
Total assets	<u>127,896</u>	<u>226,814</u>	<u>315,235</u>
Total liabilities	<u>320,329</u>	<u>346,662</u>	<u>426,857</u>
Net loss	<u>(530)</u>	<u>(29,027)</u>	<u>(15,625)</u>

18. INTERESTS IN ASSOCIATES

	At 31 December		
	2004	2003	2002
	RMB'000	RMB'000	RMB'000
Cost of investments	148,559	148,559	219,674
Share of post-acquisition loss, net of dividends received	(20,062)	(23,754)	(146,102)
Provision for impairment	(64,350)	(64,350)	(51,598)
	64,147	60,455	21,974
Amounts due from associates	45,352	59,928	200,560
Amounts due to associates	(2,264)	(235)	(5,630)
	107,235	120,148	216,904

The balances with associates are unsecured, non-interest bearing and are not repayable within twelve months.

Details of the principal associates at 31 December 2002, 2003 and 2004 are as follows:

Name of associates	Proportion of ownership interest/ voting power held		Principal activities	Place of incorporation/ establishment and operations
	Direct	Indirect		
	%	%		
Shenzhen Carrier Service Company Limited	40	—	Air-conditioning	PRC
ITC Tian An Company Limited	50	—	Property investment and development	PRC
Shenzhen Jifa Warehouse Company Limited	50	—	Warehousing	PRC
Anhui Nan Peng Paper Manufacturing Company Limited	30	—	Manufacturing and sales of coated art paper	PRC
Shenzhen Matform Ceramics Industry Company Limited	26	—	Ceramics craft	PRC
深圳國貿實業發展有限公司	38.33	—	Property development	PRC
深圳天安國際大廈物業管理有限公司	50	—	Building management	PRC
廣州利士風汽車有限公司	—	30	Motor vehicle trading	PRC

19. INVESTMENTS IN SECURITIES

	At 31 December		
	2004	2003	2002
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Unlisted equity investments, at cost	22,386	22,386	23,776
Provision for impairment	(9,350)	(5,350)	(4,000)
	<u>13,036</u>	<u>17,036</u>	<u>19,776</u>

20. INVENTORIES

	At 31 December		
	2004	2003	2002
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Properties held for sale under development	421,557	537,958	825,482
Completed properties held for sale	892,281	852,100	605,419
Other inventories	2,874	7,087	3,942
	<u>1,316,712</u>	<u>1,397,145</u>	<u>1,434,843</u>

Completed properties held for sales with carrying value of RMB129,672,000, RMB83,000,000 and RMB60,000,000 as at 31 December 2004, 2003 and 2002, respectively, have been pledged to the banks to secure general banking facilities granted to the Shenzhen Properties Group.

All inventories are stated at cost.

21. TRADE DEBTORS, PREPAYMENTS AND OTHER DEBTORS

The following is an ageing analysis of trade debtors:

	At 31 December		
	2004	2003	2002
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
0 — 90 days	2,042	835	2,269
91 — 180 days	6,734	1,557	42,341
Over 180 days	59,855	69,847	56,967
	<u>68,631</u>	<u>72,239</u>	<u>101,577</u>
Prepayments and other debtors	67,219	68,509	408
	<u>135,850</u>	<u>140,748</u>	<u>101,985</u>

The Group maintains a defined credit policy, ranging from 30 to 60 days.

22. TRADING SECURITIES

	At 31 December		
	2004	2003	2002
	RMB'000	RMB'000	RMB'000
Listed securities, at market value	<u>10,062</u>	<u>14,305</u>	<u>16,810</u>

23. CASH AND BANK BALANCES

	At 31 December		
	2004	2003	2002
	RMB'000	RMB'000	RMB'000
Cash and bank balances	227,634	266,624	251,531
Pledged deposits	<u>12,600</u>	<u>—</u>	<u>3,000</u>
	240,234	266,624	254,531
Classified under non-current assets	<u>—</u>	<u>—</u>	<u>(3,000)</u>
Classified under current assets	<u>240,234</u>	<u>266,624</u>	<u>251,531</u>

The pledged deposits were pledged to banks to secure bank loans granted to the Shenzhen Properties Group.

24. TRADE AND OTHER CREDITORS

The following is an ageing analysis of trade creditors:

	At 31 December		
	2004	2003	2002
	RMB'000	RMB'000	RMB'000
0 — 90 days	107,141	59,051	4,937
91 — 180 days	835	6,320	28,928
Over 180 days	<u>356,506</u>	<u>329,019</u>	<u>387,438</u>
Trade creditors	464,482	394,390	421,303
Advances from customers	126,263	234,070	328,192
Accruals and other creditors	<u>274,611</u>	<u>235,964</u>	<u>380,130</u>
	<u>865,356</u>	<u>864,424</u>	<u>1,129,625</u>

25. PROVISIONS

The provisions represent management's best estimate of the Shenzhen Properties Group's liabilities for certain litigations and loss on guarantee.

As at 31 December 2003, the balances include provision on litigation of RMB42 million for the breach of contract of sale and purchase of realty properties and RMB8 million for the delay in delivery of realty properties as detailed in note 30.

As at 31 December 2004, the balances include provision on litigation of RMB42 million for the breach of contract of sale and purchase of realty properties and RMB8 million for delay in the delivery of realty properties and RMB8.6 million for loss arising from guarantee given to a third party as detailed in note 30.

26. BORROWINGS

	At 31 December		
	2004 RMB'000	2003 RMB'000	2002 RMB'000
Bank loans and overdrafts (<i>Note (a)</i>)	635,980	887,500	989,000
Other loans repayable within one year (<i>Note (b)</i>)	20,000	20,000	46,000
	<u>655,980</u>	<u>907,500</u>	<u>1,035,000</u>
Secured	635,980	887,500	655,560
Unsecured	20,000	20,000	379,440
	<u>655,980</u>	<u>907,500</u>	<u>1,035,000</u>

The maturity profile of the above other loans, bank loans and overdrafts is as follow:

On demand or within one year	559,980	777,500	785,000
More than one year, but not exceeding two years	96,000	—	70,000
More than two years, but not exceeding five years	—	130,000	180,000
	<u>655,980</u>	<u>907,500</u>	<u>1,035,000</u>
<i>Less:</i> Amounts due within one year shown under current liabilities	<u>(559,980)</u>	<u>(777,500)</u>	<u>(785,000)</u>
	<u>96,000</u>	<u>130,000</u>	<u>250,000</u>

Notes:

- (a) The bank loans and overdrafts were secured by the Shenzhen Properties Group's investment properties and land and building as detailed in note 29, bearing interest at prevailing market rates ranging from 5% to 8% per annum.
- (b) The other loan was guaranteed by the ultimate holding company, 深圳市建設投資控股公司, bearing interest at approximately 7% per annum and repayable within one year.

27. DEFERRED INCOME

	At 31 December		
	2004 RMB'000	2003 RMB'000	2002 RMB'000
At 1 January	40,009	40,463	2,024
Additions for the year	5,430	1,731	40,145
Released to income statement	<u>(7,204)</u>	<u>(2,185)</u>	<u>(1,706)</u>
At 31 December	<u>38,235</u>	<u>40,009</u>	<u>40,463</u>

The amount represents deferred income arising from leasing of taxi licenses and is released to the income statement in accordance with relevant lease terms. The leasing fee received from taxi licenses is for a period of 5 years to 25 years. Therefore a large portion of the receipts is recognised as deferred income.

28. SHARE CAPITAL

	At 31 December		
	2004	2003	2002
	RMB'000	RMB'000	RMB'000
Registered, issued and fully paid:			
388,949,000 state shares and shares held by other promoters of RMB1.00 each	388,949	388,949	388,949
91,391,000 A share of RMB1.00 each	91,391	91,391	91,391
61,459,000 B share of RMB1.00 each	61,459	61,459	61,459
	<u>541,799</u>	<u>541,799</u>	<u>541,799</u>

29. PLEDGE OF ASSETS

Certain assets of the Shenzhen Properties Group have been pledged to banks to secure general banking facilities granted to the Shenzhen Properties Group as analysed below:

	At 31 December		
	2004	2003	2002
	RMB'000	RMB'000	RMB'000
Net book value of:			
Investment properties	223,597	221,289	221,646
Leasehold land and buildings	37,044	37,422	39,370
Completed properties held for sales	129,672	83,000	60,000
Taxi licenses	27,018	31,446	16,840
	<u>417,331</u>	<u>373,157</u>	<u>337,856</u>

30. CONTINGENT LIABILITIES

As at 31 December 2004, the contingent liabilities are as follow:

- (1) Shenzhen Properties and one of its wholly owned subsidiaries are defendants in a law suit in 1999 in respect of a claim for breach of contract of sale and purchase of real properties on the part of Shenzhen Properties Group by virtue of its failure to complete the transaction by proper transfer of title of the properties concerned on schedule as contracted. The Provincial High Court of Guangdong has declared and re-affirmed its final ruling against Shenzhen Properties and ruled a total compensation of approximately HK\$79 million (or approximately RMB84 million) would need to be paid to the plaintiffs. Shenzhen Properties has appealed to the People’s Supreme Court, and as a prerequisite condition of the appeal, submitted to the court a voluntary order of restriction on certain of Shenzhen Properties Group’s real properties assets of a carrying value on the balance sheet as at 31 December 2004 of approximately RMB40 million which, in the opinion of the directors of Shenzhen Properties, are of a realisable value sufficient to cover the compensation as imposed by the lower court decision. A provision of approximately RMB42 million has been made for the loss under such case. As at the 31 December 2004, the appeal to the Supreme Court is still in progress.
- (2) A court case against Shenzhen Properties in 2000 in relation to delay in delivery of real properties was finalised and according to the court decision the Company have to refund to the plaintiff the whole of the purchase consideration for the properties concerned in the amount of RMB10.8 million plus interest accrued. A provision for such compensation of approximately RMB8 million has been made accordingly. Shenzhen Properties has appealed to the People’s Supreme Court and a hearing was held on 18 January 2005. No judgment has been made.

- (3) A subsidiary of Shenzhen Properties received a claim in relation to the delay in delivery of real properties and title deeds. The plaintiff's claim was for an amount of RMB4.2 million. A court ruling has not been made as at 31 December 2004. The directors of Shenzhen Properties are of the opinion that the claim was unfounded and expect that Shenzhen Properties will not suffer any loss from such claim. Accordingly, no provision has been made in respect of this case.
- (4) Shenzhen Properties provided guaranteed for a third party, 金田實業(集團)股份有限公司, on bank loans of approximately RMB8.6 million. The loans were in default and the bank had taken legal action against the borrower and Shenzhen Properties to recover the loan principal and interest accrued. The court has placed a closing order on certain of Shenzhen Properties Group's long term equity investments for this purpose. The carrying value of such investment as at 31 December 2004 is approximately RMB5.8 million. A provision of RMB8.6 million has been made for loss under this case (*Note*).
- (5) The Shenzhen Properties Group provided guarantee of RMB553,630,000 to banks in respect of mortgage loans granted to the real properties purchasers for their purchases of the Group's developed properties where the underlying real estate certificates can only be provided to the banks on a time delayed manner due to administrative procedures in the PRC. These guarantees provided by the Group to the banks will be released when the real properties purchasers pledged their estate certificates as securities to the banks for the mortgage loans granted by the banks.

As at 31 December 2003, the contingent liabilities are as follow:

- (1) Shenzhen Properties provided guarantee for a third party on bank loans of approximately RMB59 million and RMB6 million respectively. The loans were in default and the banks had taken legal action against the borrower and Shenzhen Properties to recover the loan principal and interest accrued. The bank claiming the RMB59 million loan have succeeded in receiving certain assets of the borrower. The bank claiming the RMB6 million loan is in the process of seeking receivership of the borrower's assets. The court has placed a closing order on certain of Shenzhen Properties' long-term equity investments for this purpose. The carrying value of such investments as at 31 December 2003 is approximately RMB5.8 million. The directors of Shenzhen Properties are of the opinion that the banks loans will be fully covered by realizing assets of the third party, no provision therefore was made as at 31 December 2003 (*Note*).
- (2) Shenzhen Properties and one of its wholly owned subsidiaries are defendants in a law suit in 1999 in respect of a claim for breach of contract of sale and purchase of real properties on the part of Shenzhen Properties Group by virtue of its failure to complete the transaction by proper transfer of title of the properties concerned on schedule as contracted. The Provincial High Court of Guangdong has declared and re-affirmed its final ruling against Shenzhen Properties and ruled a total compensation of approximately HK\$79 million (or approximately RMB84 million) would need to be paid to the plaintiffs. Shenzhen Properties is seeking an appeal to the People's Supreme Court and as a prerequisite condition of the appeal, submitted to the court a voluntary order of restriction on certain of the Group's real properties assets of a carrying value on the balance sheet as at 31 December 2003 of approximately RMB40 million which, in the opinion of the directors of Shenzhen Properties, are of a realisable value sufficient to cover the compensation as imposed by the lower court decision. A provision of approximately RMB42 million has been made for the loss under such case at 31 December 2003. In 2004, appeal to the Supreme Court is still in progress.
- (3) A court case against Shenzhen Properties in 2000 in relation to delay in delivery of real properties was finalised and according to the court decision Shenzhen Properties have to refund to the plaintiff the whole of the purchase consideration for the properties concerned in the amount of RMB10.8 million plus interest accrued. Shenzhen Properties intended to appeal to the People's Supreme Court and a provision of RMB8 million has been made for the remedy under this case.

- (4) A subsidiary of Shenzhen Properties is a defendant in a law suit brought during 2001 claiming approximately HK\$10,676,000 relating to the import of refrigerator from a supplier. The Municipal Intermediate Court of Shenzhen had concluded the case in favour of the Shenzhen Properties Group. The case was appealed by the plaintiff to the Provincial High Court of Guangdong. As at 31 December 2003, the legal proceeding of the case is still in progress and no final ruling has been made by the High Court. The directors of Shenzhen Properties are of the opinion that the claim was unfounded and expect that Shenzhen Properties Group will not suffer any loss from such claim. Accordingly, no provision for any loss in respect of the case is made.
- (5) Shenzhen Properties Group provided guarantee of approximately RMB761,550,000 to banks in respect of mortgage loans granted to the real properties purchasers for their purchases of the Group's developed properties where the underlying real estate certificates can only be provided to the banks on a time delayed manner due to administrative procedures in the PRC. These guarantees provided by the Group to the banks will be released when the realty properties purchasers pledged their estate certificates as securities to the banks for the mortgage loans granted by the banks.

As at 31 December 2002, the contingent liabilities are as follow:

- (1) Shenzhen Properties provided guarantee for a third party on bank loans of approximately RMB59 million and RMB6 million respectively. The loans were in default and the banks had taken legal action against the borrower and Shenzhen Properties to recover the loan principal and interest accrued. The bank claiming the RMB59 million loan have succeeded in receiving certain assets of the borrower. The bank claiming the RMB6 million loan is in the process of seeking receivership of the borrower's assets. The directors of Shenzhen Properties are of the opinion that the banks loans will be fully covered by realising assets of the third party, no provision therefore made as at 31 December 2002 (*Note*).
- (2) Shenzhen Properties and one of its wholly owned subsidiaries are defendants in a law suit carried to the court in 1999 claiming for breach of contract of sale and purchase of real properties on the part of Shenzhen Properties Group by virtue of failure to completing the transaction by proper transfer of title of properties concerned on schedule as contracted. The remedy claimed by the plaintiffs under the case is approximately HK\$79million. As at December 31 2002, a court ruling has not been made. After consulting with Shenzhen Properties Group's legal adviser, the directors of Shenzhen Properties are of the opinion that the claim was unfounded and expect that Shenzhen Properties Group will not suffer any loss from such claim. Accordingly, no provision for any loss in respect of the case is made.
- (3) A court case against Shenzhen Properties in 2000 in relation to delay in delivery of realty properties was finalised and according to the court decision Shenzhen Properties have to refund to the plaintiff the whole of the purchase consideration for the properties concerned of RMB10.8 million plus interest accrued. Shenzhen Properties will appeal to the People's Supreme Court.
- (4) A subsidiary of Shenzhen Properties Group is a defendant in a law suit brought during 2001 claiming approximately HK\$10,676,000 relating to the import of refrigerator from a supplier. A court ruling has not yet been made on the case. The directors of Shenzhen Properties are of the opinion that these claim were unfounded and are confident that Shenzhen Properties Group will not suffer any loss from this claim. Accordingly, no provision for any loss in respect of the case is made.
- (5) Shenzhen Properties Group provided guarantee of approximately RMB916,880,000 to banks in respect of mortgage loans granted to the realty properties purchasers for their purchases of the Group's developed properties where the underlying real estate certificates can only be provided to the banks on a time delayed manner due to administrative procedures in the PRC. These guarantees provided by the Group to the banks will be released when the real properties purchasers pledged their estate certificates as securities to the banks for the mortgage loans granted by the banks.

Note: Guarantee was provided by Shenzhen Properties Group in respect of banking facilities granted to the third party. In return, the third party also provided guarantee to bank in respect of banking facilities granted to Shenzhen Properties Group. In respect of the bank loans guaranteed by the third party and granted to Shenzhen Properties Group, they were fully repaid by Shenzhen Properties Group before 1 January 2002. Therefore, no bank loan was guaranteed by the third party at the respective balance sheet date during the Relevant Periods.

31. OPERATING LEASES

Lessor

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

	At 31 December		
	2004	2003	2002
	RMB'000	RMB'000	RMB'000
— Within one year	26,190	35,000	22,430
— In the second to fifth year inclusive	52,380	40,000	15,685
— After the fifth year	—	40,000	4,017
	<u>78,570</u>	<u>115,000</u>	<u>42,132</u>

32. RELATED PARTY TRANSACTIONS

During the Relevant Periods, the Shenzhen Properties Group entered into the following transactions with related parties:

		Relationship with the Shenzhen Properties Group	Year ended 31 December		
			2004	2003	2002
			RMB'000	RMB'000	RMB'000
Construction costs paid (Note (a))	深圳市建業建築工程公司	Fellow subsidiary	163,720	—	—
Construction costs paid (Note (a))	深圳市越眾(集團) 股份有限公司	Fellow subsidiary	209,138	—	—
Sale of properties (Note (b))	深圳市建設投資控股公司	Holding company	<u>—</u>	<u>82,047</u>	<u>—</u>

Notes:

- (a) The construction costs paid were calculated based on mutually agreed prices.
- (b) The sales of properties were made at mutually agreed prices.

In the opinion of directors of Shenzhen Properties, the above transactions with related parties were entered into in the normal course of business and on normal commercial terms in accordance with agreements governing such transactions.

33. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Shenzhen Properties Group companies in respect of any period subsequent to 31 December 2004.

Yours faithfully,

KLL Associates CPA Limited

Certified Public Accountants (Practising)

Lee Ka Leung, Daniel

Practising Certificate Number P01220

Hong Kong

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the unaudited pro forma financial information of the Enlarged Group. The unaudited pro forma consolidated income statement and cashflow statement are prepared assuming that the Acquisition had been taken place at the commencement of the year ended 31 December 2004 and the unaudited pro forma consolidated balance sheet is prepared assuming that the Acquisition had been taken place at 31 December 2004. The unaudited pro forma financial information was prepared based on the audited consolidated financial statements of the Group for the year ended 31 December 2004, which has been extracted from the annual report of the Company for the year ended 31 December 2004 prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), and the financial information of Shenzhen Properties for the year ended 31 December 2004 prepared in accordance with HKFRSs as set out in Appendix II Financial Information of Shenzhen Properties to this circular, with adjustments to reflect the effect of the Acquisition.

The unaudited pro forma financial information was prepared for illustrative purposes only and because of its nature, it may not give a true picture of the results and cash flows of the Group or the Enlarged Group for any financial period or the financial position of the Group or the Enlarged Group at any date.

APPENDIX III
**PRO FORMA FINANCIAL INFORMATION
ON THE ENLARGED GROUP**
(a) Unaudited Pro Forma Consolidated Income Statement for the Year Ended 31 December 2004

		The Group	Shenzhen Properties	Pro forma adjustments	The Enlarged Group
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover		773,425	1,251,217		2,024,642
Other revenue		6,518	12,171		18,689
Release of negative goodwill	1	—	—	15,144	15,144
Depreciation		(468)	(15,822)		(16,290)
Staff costs		(37,824)	(120,574)		(158,398)
Cost of inventories		(350,419)	(851,439)		(1,201,858)
Other operating expenses		(56,983)	(109,738)		(166,721)
Profit from operations		334,249	165,815		515,208
Finance costs		(6,169)	(38,956)		(45,125)
Share of results of associates		12,889	3,483		16,372
Profit before taxation		340,969	130,342		486,455
Taxation		(38,141)	(33,689)		(71,830)
Profit after taxation		302,828	96,653		414,625
Minority interests	2	268	—	(38,898)	(38,630)
Profit attributable to shareholders		303,096	96,653		375,995

APPENDIX III

PRO FORMA FINANCIAL INFORMATION ON THE ENLARGED GROUP

(b) Unaudited Pro Forma Consolidated Balance Sheet as at 31 December 2004

		The Group	Shenzhen Properties	Pro forma adjustments	The Enlarged Group
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets					
Fixed assets		3,466,563	541,513		4,008,076
Land held for future development		9,500	—		9,500
Land and development rights		1,264,937	—		1,264,937
Intangible assets		—	56,408		56,408
Negative goodwill	3	—	—	(75,720)	(75,720)
Interests in unconsolidated subsidiaries		—	4,808		4,808
Interests in associates		46,026	101,165		147,191
Investments in securities		110,099	12,298		122,397
Loans and advances		60,158	—		60,158
Deferred tax assets		3,223	—		3,223
		<u>4,960,506</u>	<u>716,192</u>		<u>5,600,978</u>
Current assets					
Interest in property development		400,000	—		400,000
Inventories		789,261	1,242,181		2,031,442
Trade and other receivables		209,143	128,160		337,303
Loans and advances		84,834	—		84,834
Amount due from an associate		83	—		83
Investments in securities		129,251	9,492		138,743
Deposits pledged		—	11,887		11,887
Cash and cash equivalents	3	<u>44,497</u>	<u>214,749</u>	(6,000)	<u>253,246</u>
		<u>1,657,069</u>	<u>1,606,469</u>		<u>3,257,538</u>

APPENDIX III
**PRO FORMA FINANCIAL INFORMATION
ON THE ENLARGED GROUP**

		The Group	Shenzhen	Pro forma	The Enlarged
	<i>Notes</i>	<i>HK\$'000</i>	<i>Properties</i>	<i>adjustments</i>	<i>Group</i>
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current liabilities					
Trade and other payables		491,970	816,374		1,308,344
Provisions		—	55,285		55,285
Bank loans	4	665,442	528,283	367,726	1,561,451
Taxation		24,677	64,447		89,124
		<u>1,182,089</u>	<u>1,464,389</u>		<u>3,014,204</u>
Net current assets		<u>474,980</u>	<u>142,080</u>		<u>243,334</u>
Total assets less current liabilities		<u>5,435,486</u>	<u>858,272</u>		<u>5,844,312</u>
Non-current liabilities					
Loan from ultimate holding company		7,519	—		7,519
Bank loans		1,086,987	90,566		1,177,553
Other payables		62,263	—		62,263
Deferred tax liabilities		23,748	—		23,748
Deferred income		—	36,071		36,071
		<u>1,180,517</u>	<u>126,637</u>		<u>1,307,154</u>
Minority interests	3, 4	<u>1,208</u>	<u>—</u>	282,189	<u>283,397</u>
Net assets		<u><u>4,253,761</u></u>	<u><u>731,635</u></u>		<u><u>4,253,761</u></u>
Capital and reserves					
Share capital	5	56,677	511,131	(511,131)	56,677
Reserves	5	<u>4,197,084</u>	<u>220,504</u>	<u>(220,504)</u>	<u>4,197,084</u>
		<u><u>4,253,761</u></u>	<u><u>731,635</u></u>		<u><u>4,253,761</u></u>

(c) Unaudited Pro Forma Cash Flow Statement for the year ended 31 December 2004

	<i>Notes</i>	The Group <i>HK\$'000</i>	Shenzhen Properties <i>HK\$'000</i>	Pro forma adjustments <i>HK\$'000</i>	The Enlarged Group <i>HK\$'000</i>
Profit before taxation		340,969	130,342		471,311
Adjustment for:					
Unclaimed dividend written back		(188)	—		(188)
Loss on disposal of other fixed assets		3	—		3
Share of results of associates		(12,889)	(3,483)		(16,372)
Impairment loss on land and buildings		4,429	—		4,429
Impairment loss on land held for future development		716	—		716
Interest income		(353)	(1,866)		(2,219)
Interest expenses		6,169	38,956		45,125
Provision for litigation		—	8,113		8,113
Provision for investments in securities		—	3,774		3,774
Unrealised loss on trading securities		—	7,394		7,394
Realised loss on disposal of trading securities		—	58		58
Depreciation		468	15,822		16,290
Amortisation of intangible assets		—	2,871		2,871
Loss on disposal of property, plant and equipment		—	702		702
Deferred income released to income statement for the year		—	(6,796)		(6,796)

APPENDIX III

PRO FORMA FINANCIAL INFORMATION
ON THE ENLARGED GROUP

		Shenzhen	Pro forma	The Enlarged
	The Group	Properties	adjustments	Group
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating profit before working capital changes	339,324	195,887		535,211
Decrease in inventories	116,674	41,240		157,914
(Increase)/decrease in trade debtors, prepayment and other debtors	(147,350)	4,621		(142,729)
Decrease in pledged time deposits	5,719	—		5,719
Decrease in loans and advances	16,075	—		16,075
Decrease in investments in securities	233,384	—		233,384
Increase in amount due from an associate	(83)	—		(83)
Increase in trade and other creditors	271,439	879		272,318
Additions to deferred income	—	5,123		5,123
Cash generated from operations	835,182	247,750		1,082,932
Interest received	353	1,866		2,219
Interest paid	(20,416)	(44,990)		(65,406)
Profits tax paid	(23,694)	(18,141)		(41,835)
Profits tax refunded	1,623	—		1,623
Net cash from operating activities	793,048	186,485		979,533

APPENDIX III

PRO FORMA FINANCIAL INFORMATION ON THE ENLARGED GROUP

		The Group	Shenzhen Properties	Pro forma adjustments	The Enlarged Group
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Investing activities					
Acquisition of subsidiaries	3	(400,000)	—	(438,619)	(838,619)
Proceeds from disposal of property, plant and equipment		2	9,467		9,469
Proceeds from disposal of trading securities		—	(3,450)		(3,450)
Additions to fixed assets and properties		(182,589)	(20,117)		(202,706)
Additions to land and development rights		(114,246)	—		(114,246)
Additions to intangible assets		—	(1,067)		(1,067)
Increase in loan to an associate		(4,638)	—		(4,638)
Decrease in investments in unconsolidated subsidiaries		—	4,708		4,708
Decrease in amount due from an unconsolidated subsidiary		—	20,696		20,696
Decrease in amount due from an associate		—	15,665		15,665
Dividend received from an associate		840	—		840
Net cash (used in)/ from investing activities		<u>(700,631)</u>	<u>25,902</u>		<u>(1,113,348)</u>
Financing activities					
Cash contributed by minority shareholders of the Purchaser	4	—	—	64,893	64,893
(Decrease)/increase in bank loans	4	(456,560)	(237,283)	367,726	(326,117)
Increase in loan from ultimate holding company		7,519	—		7,519
Net proceeds from shares issued		556,245	—		556,245
Dividend paid		(164,013)	—		(164,013)
Increase in pledged bank deposit		—	(11,887)		(11,887)

	The Group HK\$'000	Shenzhen Properties HK\$'000	Pro forma adjustments HK\$'000	The Enlarged Group HK\$'000
Net cash used in financing activities	(56,809)	(249,170)		126,640
Net increase/(decrease) in cash and cash equivalents	35,608	(36,783)		(7,175)
Cash and cash equivalents at 1 January	8,889	251,532		260,421
Cash and cash equivalents at 31 December	44,497	214,749		253,246

(d) Notes to Unaudited Pro Forma Financial Information

1. The adjustment reflects the release of negative goodwill to income statement of approximately HK\$15,144,000 arising on the Acquisition. Negative goodwill is released on straight-line basis over estimated useful life of the identifiable acquired depreciable assets of five years.
2. The adjustment reflects the share of profit by the 29.7% minority shareholders of Shenzhen Properties and the 15% minority shareholder of the Purchaser.
3. The adjustment reflects negative goodwill arising from the Acquisition. Negative goodwill of approximately HK\$75,720,000 represents the excess of net assets acquired of approximately HK\$514,339,000 (after netting off of 29.7% minority interests of Shenzhen Properties Group of approximately HK\$217,296,000 for the Acquisition) over the cost of acquisition of approximately HK\$438,619,000 (including consideration for the Acquisition of approximately HK\$432,619,000 and direct legal and professional costs of approximately HK\$6,000,000 for the Acquisition supported by quotations accepted by the Company and/or the Purchaser).
4. For the purpose of preparing the pro-forma financial information, the consideration for the Acquisition of approximately HK\$432,619,000 is assumed to be financed by the minority shareholder of the Purchaser of approximately HK\$64,893,000 which the minority shareholder has agreed to pay and the remaining balance of approximately HK\$367,726,000 to be financed by bank loans under banking facilities repayable within one year, thereby increasing the minority interests and current portion of bank loans by HK\$64,893,000 and HK\$367,726,000, respectively.
5. The adjustment reflects the elimination of share capital of approximately HK\$511,131,000 and pre-acquisition profits of approximately HK\$220,504,000 of Shenzhen Properties against the investment cost of approximately HK\$438,619,000 of the Company.

LETTER ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a letter from KLL Associates CPA Limited, the reporting accountants, in respect of the unaudited pro forma financial information of the Enlarged Group.

**KLL ASSOCIATES CPA LTD**

華 融 會 計 師 事 務 所 有 限 公 司

29th Floor, Wing On Centre,
111 Connaught Road Central,
Hong Kong

30 June 2005

The Directors

Kowloon Development Company Limited

Dear Sirs,

We report on the unaudited pro forma financial information of the Enlarged Group (being the Group (as defined herein) together with Shenzhen Properties & Resources Development (Group) Limited and its subsidiaries (collectively the “Shenzhen Properties Group”)) set out in Appendix III (the “Pro Forma Financial Information on the Enlarged Group”) to the circular of the Kowloon Development Company Limited (the “Company”, and together with its subsidiaries referred as to the “Group”) dated 30 June 2005 (the “Circular”) in connection with the proposed acquisition of approximately 70.3% of the issued shares of Shenzhen Properties & Resources Development (Group) Limited (the “Acquisition”), which has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the Acquisition might have affected the financial information presented.

Basis of preparation

The unaudited pro forma consolidated income statement and cashflow statement are prepared assuming that the Acquisition had taken place at the commencement of the year ended 31 December 2004 and the unaudited pro forma consolidated balance sheet is prepared assuming that the Acquisition had taken place on 31 December 2004. The Pro Forma Financial Information on the Enlarged Group was prepared based on the audited consolidated financial statements of the Group for the year ended 31 December 2004, which has been extracted from the annual report of the Company for the year ended 31 December 2004, and the financial information of Shenzhen Properties Group for the year ended 31 December 2004 as set out in Appendix II “Accountants’ Report on Shenzhen Properties” to this circular, with adjustments to reflect the effect of the Acquisition.

Responsibilities

It is the responsibility solely of the directors of the Company to prepare the Pro Forma Financial Information on the Enlarged Group in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong limited (the “Listing Rules”).

It is our responsibility to form an opinion, as required by the Listing Rules, on the Pro Forma Financial Information on the Enlarged Group and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information on the Enlarged Group beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our work by reference to the Statements of Investment Circular Reporting Standards and Bulletin 1998/9 “Reporting on Pro Forma Financial Information pursuant to the Listing Rules” issued by the Auditing Practice Board in the United Kingdom, where applicable. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information on the Enlarged Group with the directors of the Company.

Our work does not constitute an audit or review in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants and accordingly, we do not express any such assurance on the Pro Forma Financial Information on the Enlarged Group.

The Pro Forma Financial Information on the Enlarged Group has been prepared on the basis set out in the Circular for illustrative purposes only and, because of its nature, it may not be indicative of the results and financial position of the Enlarged Group as at 31 December 2004 or at any future date.

Opinion

In our opinion:

- (a) the Pro Forma Financial Information on the Enlarged Group has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Pro Forma Financial Information on the Enlarged Group as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,
KLL Associates CPA Limited
Certified Public Accountants (Practising)
Lee Ka Leung, Daniel
Practising Certificate Number P01220

MANAGEMENT DISCUSSION AND ANALYSIS**Results of Operations*****Fiscal 2004***

Combining Shenzhen Properties' revenue of HK\$1,251 million, the Enlarged Group's pro forma consolidated turnover reached HK\$2,025 million, representing an increase of 162.0% from the Group's turnover of HK\$774 million. Revenue of HK\$1,049 million from the property development operation of Shenzhen Properties accounted for 51.8% of the Enlarged Group's consolidated turnover while revenue of HK\$126 million from the property management and leasing business of Shenzhen Properties accounted for 6.2% of the consolidated turnover of the Enlarged Group.

Income from the property development business of Shenzhen Properties increased by 23.1% comparing with fiscal year 2003. This was largely as a result of an increase in the completion and sales of property projects in 2004.

The Enlarged Group's pro forma profit from operating activities amounted to HK\$515 million, representing an operating profit margin of 25.4% after deducting other operating expenses of HK\$167 million. The outstanding achievement was due to the increase property sale in the reporting period. The Enlarged Group's earnings before interest, tax, depreciation and amortization ("EBITDA") amounted to HK\$533 million, demonstrating the cash-generating capability of the Enlarged Group.

Fiscal 2003

The Enlarged Group's pro forma consolidated turnover reached HK\$1,692 million representing an increase of 151.0% compared with the Group's total revenue of HK\$674 million. Turnover from the operation of Shenzhen Properties in the PRC accounted for HK\$1,018 million or 60.2% of the Enlarged Group's turnover.

Income from the property development business of Shenzhen Properties increased by 70.6% compare with fiscal year 2002 which mainly came from completion and sales of certain real estate development projects in 2003 such as Huang Yu Yuan District B and the Phase 4 of Shanghai Pastoral city.

The Enlarged Group's pro forma profit from operating activities amounted to HK\$455 million, representing an operating profit margin of 26.9% after deducting other operating expenses of HK\$120 million. The Enlarged Group's EBITDA amounted to HK\$467 million.

Fiscal 2002

The Enlarged Group's pro forma consolidated turnover for fiscal year 2002 amounted to HK\$1,325 million. The Enlarged Group's pro forma profit from operating activities amounted to HK\$306 million, representing an operating profit margin of 23.1% after deducting other operating expenses of HK\$128 million. The Enlarged Group's EBITDA amounted to HK\$333 million.

Liquidity and Capital Resources

Cash flows from operating activities provided net cash of approximately HK\$980 million for fiscal year 2004 of the Enlarged Group on a pro forma basis. The operation of Shenzhen Properties had net cash outflow from operating activities of approximately HK\$10 million for both fiscal 2002 and 2003, and provided net cash from operating activities of approximately HK\$186 million for fiscal 2004. Capital expenditures were approximately HK\$1,440 million, HK\$34 million and HK\$243 million respectively for fiscal 2002, 2003 and 2004.

The net borrowing of the Enlarged Group on a pro forma basis as at 31 December 2004 was HK\$2,739 million representing a gearing ratio of 64.4% over the Group's shareholders' equity of HK\$4,254 million as at 31 December 2004.

Indebtedness***Borrowings***

As at the close of business on 31 May 2005, being the latest practicable date for the indebtedness statement prior to the printing of this circular, the Enlarged Group had total bank loans of approximately HK\$2,707 million, which comprise secured bank loans of approximately HK\$1,135 million repayable within one year, HK\$208 million repayable in the second year and HK\$1,164 million repayable in the third to fifth year and unsecured bank loans of approximately HK\$200 million repayable within one year.

As at the close of business on 31 May 2005, the Enlarged Group had the following other loans:

- (a) A loan from its ultimate holding company of the Group, Polytec Holdings International Limited, of approximately HK\$4.0 million which was unsecured, bearing interest at the Hong Kong Interbank Offered Rate plus 0.5% per annum and repayable on or before 23 February 2007.
- (b) A loan from a fellow subsidiary of approximately HK\$12.4 million which was unsecured, bearing interest at approximately 7.0% per annum and repayable on demand.
- (c) A loan from a fellow subsidiary of approximately HK\$0.7 million which was unsecured, non-interest bearing and had no fixed terms of repayment.
- (d) A loan from an associate of approximately HK\$2.1 million which was unsecured, non-interest bearing and had no fixed terms of repayment.

The Enlarged Group did not engage in any hedge arrangements as at 31 December 2004 and the exposure of the Enlarged Group to exchange rate fluctuations is insignificant.

The Directors, after due and careful consideration, are of the opinion that upon the Completion of the Acquisition, and based on the available banking and other facilities as well as internal resources of the Enlarged Group, the Enlarged Group will have sufficient working capital for its present requirements for the next twelve months from the date of this circular.

Pledge of assets

As at the close of business on 31 May 2005, certain assets of the Enlarged Group including leasehold lands and buildings, investment properties, intangible assets, inventories and bank deposits with carrying value of approximately HK\$42.9 million, HK\$3,613.5 million, HK\$46.6 million, HK\$731.9 million and HK\$11.9 million, respectively, were pledged to banks to secure banking facilities granted to the Enlarged Group.

Contingent Liabilities

As at the close of business on 31 May 2005, the Enlarged Group had the following contingent liabilities:

- (a) Guarantees had been given to insurance companies in respect of performance bonds entered into by certain associates amounted to approximately HK\$13.9 million.
- (b) A guarantee had been given in respect of banking facilities granted to an associate amounted to approximately HK\$1.7 million. The banking facilities were utilized to the extent of approximately HK\$1.0 million.
- (c) Shenzhen Properties and one of its wholly owned subsidiary are defendants in a law suit in 1999 in respect of a claim for breach of contract of sale and purchase of real properties by Shenzhen Properties Group for its failure to complete the transaction by proper transfer of title of the properties concerned on schedule as contracted. The Provincial High Court of Guangdong has declared and re-affirmed its final ruling against Shenzhen Properties and ruled a total compensation of approximately HK\$79.0 million would need to be paid to the plaintiffs. Shenzhen Properties has appealed to the People's Supreme Court, and as a prerequisite condition of the appeal, submitted to the court a voluntary order of restriction on certain of Shenzhen Properties Group's real properties assets with carrying value of approximately HK\$38.0 million as at 31 December 2004 which, in the opinion of Shenzhen Properties' directors, are of a realisable value sufficient to cover the compensation as imposed by the lower court decision. A provision of approximately HK\$40.0 million has been made for the loss in this case. The appeal to the Supreme Court is still in progress. The case was heard by the Shenzhen Intermediate Court on 21 February 2005. No judgement has been made.
- (d) A court case against Shenzhen Properties in 2000 in relation to delay in delivery of real properties was finalised and according to the court decision Shenzhen Properties have to refund to the plaintiff the whole of the purchase consideration for the properties concerned in the amount of approximately HK\$10.2 million plus interest accrued. A

provision for such compensation of approximately HK\$7.5 million has been made accordingly. Shenzhen Properties has appealed to the People's Supreme Court and a hearing was held on 18 January 2005. As at the Latest Practicable Date, no judgment has been made.

- (e) A subsidiary of Shenzhen Properties received a claim in relation to the delay in delivery of real properties and title deeds. The plaintiff's claim was for an amount of HK\$4 million. The directors of Shenzhen Properties are of the opinion that the claim was unfounded and expect that Shenzhen Properties Group will not suffer any loss from such claim. Accordingly, no provision has been made in respect of the case.
- (f) Shenzhen Properties provided guarantee for a third party, 金田實業(集團)股份有限公司, on bank loans of approximately HK\$8.1 million. The loans were in default and the bank had taken legal action against the borrower and Shenzhen Properties to recover the loan principal and interest accrued. The court has placed a closing order on certain of Shenzhen Properties Group's long term equity investments for this purpose. The carrying value of such investment as at 31 December 2004 was approximately HK\$5.5 million. A provision of approximately HK\$8.1 million has been made for loss under this case.
- (g) The Enlarged Group provided guarantee of approximately HK\$410 million to banks in respect of mortgage loans granted to the realty properties purchasers, for their purchases of the Enlarged Group's developed properties where the underlying real estate certificates can only be provided to the banks on a time delayed manner due to administrative procedures in the PRC. These guarantees provided by the Enlarged Group to the banks will be released when the realty properties purchasers pledged their estate certificates as securities to the banks for the mortgage loans granted by the banks.

Disclaimer

Save for the aforesaid and apart from intra-group liabilities, the Enlarged Group did not have, at the close of business on 31 May 2005, any debt securities issued and outstanding, or authorised or otherwise created but unissued, or term loans or bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, obligations under hire purchase contracts or finance leases, guarantees, or other material contingent liabilities.

Material Adverse Change

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Enlarged Group since 31 December 2004, the date to which the latest audited consolidated financial statements of the Company were made up.

(A) NGAU CHI WAN AND KA WAI MAN ROAD PROJECTS OF THE GROUP

Set out below are the texts of a letter, summary of valuation and valuation certificate received from Knight Frank Hong Kong Limited in connection with their valuations as at 30 April 2005 of the property interests of the Group, and are prepared for the purpose of inclusion in this circular:



29/F Office Tower
Convention Plaza, 1 Harbour Road
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+852 2845 0649 Fax

www.knightfrank.com

The Directors
Kowloon Development Company Limited
23/F., Pioneer Centre
750 Nathan Road
Kowloon
Hong Kong

30 June 2005

Dear Sirs,

In accordance with your instructions for us to value the properties and, where appropriate, the development rights in Hong Kong as per the attached certificate of Kowloon Development Company 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 values of the properties and, where appropriate, the development rights as at 30 April 2005.

Our valuation of each of the properties is our opinion of its open market value which we would define as meaning “the best price at which the sale of an interest in a property might reasonably be expected to 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 valuations have been made on the assumption that the owners sell the properties on the open market in their existing state without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to increase the values of the properties.

In respect of Property No. 1 which is held under development, we have valued this property on the basis that it will be developed and completed in accordance with the Company’s latest development proposal provided to us. Approval for the latest proposal has been obtained from the Buildings Department in April 2005. In arriving at our opinion of value, we have valued it by the Direct Comparison Approach by making reference to comparable market transactions in the locality and have also taken into account the construction costs that will be expended to complete the development to reflect the quality of the completed development. The “capital value when completed” represents our opinion of the aggregate selling prices of the development assuming that it would have completed at the date of valuation.

In respect of Property No. 2 which is held for development, we have valued this property by reference to comparable market transactions.

We have undertaken land searches in Sai Kung Land Registry and understand that Property No. 2 is held from the Government under four New Grants (namely New Grant Nos. 902, 903, 904 and 1837). However, the Government records or copies of the said four New Grants are missing and cannot be found at the Sai Kung Land Registry. Thus the site area, the conditions governing the usage and development of this property, the lease term and Government Rent cannot be ascertained from the Government. According to two copies of Indentures provided by The Mother Superior of The Petites Soeurs Des Pauvres St. Pern Bretagne, the lease terms of this property, which expired before 30 June 1997, have been extended until 30 June 2047 under Annex III of the Joint Declaration and with an annual government rent charged at 3% of the then rateable value of the lots.

We have relied to a considerable extent on the information provided by the Company and have accepted advice given to us by the Company on such matters as planning approvals, statutory notices, easements, tenure, particulars of occupancy, development proposal, construction cost expended, estimated outstanding construction costs to be expended, estimated completion date, development agreement, site and floor areas and all other relevant matters. We have caused searches to be made at the relevant Land Registries. However, we have not scrutinised the original documents to verify ownership or to ascertain the existence of any amendments which may not appear on the copies handed to us. 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 no reason to doubt the truth and accuracy of the information provided to us by the Company which is material to the valuations.

We have inspected the exterior of the property. However, we have not carried out investigations on site to determine the suitability of the ground conditions and the services etc. for any future development. Our valuations are prepared on the assumption that these aspects are satisfactory and no extraordinary expenses or delay will be incurred during the development period.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on any properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

We enclose herewith our summary of valuation and valuation certificate.

Yours faithfully,

For and on behalf of

KNIGHT FRANK HONG KONG LIMITED

Catherine Cheung

MHKIS MRICS RPS(GP)

Assistant Director

Note: Ms. Catherine Cheung has over 15 years' and 12 years' experience respectively in valuing properties in Hong Kong and the People's Republic of China.

SUMMARY OF VALUATION

Group I — Property held under development

Property	Capital value in existing state as at 30 April 2005
1. No. 33 Ka Wai Man Road Kennedy Town Hong Kong	HK\$320,000,000
Sub-total:	HK\$320,000,000

Group II — Property held for development

2. Lot Nos. 1904 and 1905, Section A and the Remaining Portion of Lot No. 1906, Section C and the Remaining Portion of Lot No. 1907 all in Survey District No. 2, Ngau Chi Wan, Kowloon	HK\$2,430,000,000
Sub-total:	HK\$2,430,000,000
Grand-total:	HK\$2,750,000,000

VALUATION CERTIFICATE

Group I — Property held under development

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2005
1. No. 33 Ka Wai Man Road Kennedy Town Hong Kong Inland Lot No. 8873.	<p>The property comprises a site with an area of approximately 7,837 sq.ft. (728.1 sq.m.) on which a residential development is being constructed.</p> <p>The proposed development will comprise a 30-storey (excluding a refuge floor) residential block erected on a 7-storey podium for carparking, club house and garden purposes. Upon completion, the proposed development will provide a total gross floor area (excluding the carparking spaces) of approximately 78,372 sq.ft. (7,281 sq.m.). In addition, 27 carparking spaces, 5 motorcycle parking spaces and a loading/unloading space will be provided.</p> <p>The proposed development is scheduled to be completed in mid 2006.</p> <p>The property is held under Conditions of Grant No. 12646 for a term of 50 years from 28 November 2003.</p> <p>The annual Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property.</p>	Construction of superstructure work is in progress.	HK\$320,000,000

Notes:

- (1) The registered owner of the property is Urban Renewal Authority (“URA”). Searson (Hong Kong) Limited, a wholly owned subsidiary of the Company, has a development agreement with URA for the development of the property. The property is a jointly controlled asset of the Group as the Group has joint control with Urban Renewal Authority in accordance with the development agreement. Given that the Group has control over its share of future economic benefits earned from the property and that Urban Renewal Authority is only entitled to share the sales proceed when the amount exceed a certain level, the value of the property should be attributable to the Group.

- (2) As advised by the Company, the total construction cost expended on the property as at 30 April 2005 was HK\$27,398,000 (excluding interests capitalized) and the estimated construction cost to be spent to complete the proposed development as at the date of valuation was approximately HK\$83,704,000, which has been taken into account in our valuation.
- (3) The capital value when completed of the development as at the date of valuation was HK\$480,000,000.
- (4) The property is situated within an area zoned for “Residential Group (A)” uses under Kennedy Town and Mount Davis Outline Zoning Plan No. S/H1/14 dated 2 November 2004.

Group II — Property held for development

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2005
2. Lot Nos. 1904 and 1905, Section A and the Remaining Portion of Lot No. 1906, Section C and the Remaining Portion of Lot No. 1907 all in Survey District No. 2, Ngau Chi Wan, Kowloon	<p>The property comprises a development site with a total site area of approximately 208,125 sq.ft. (19,335.46 sq.m.).</p> <p>The development is proposed to be completed in about 2007 to 2008.</p>	Foundation work is in progress.	HK\$2,430,000,000

Notes:

(1) Jumbo Power Enterprises Limited is a wholly owned subsidiary of the Company. Under a development agreement dated 11 February 2002 entered into between The Mother Superior of the Petites Soeurs des Pauvres, St. Pern, Bretagne (also known as The Little Sisters of the Poor), Best Power (Asia) Limited (a company wholly-owned by The Little Sisters of the Poor), Jumbo Power and Polytec Holdings (the ultimate holding company), The Little Sisters of the Poor have granted to Jumbo Power the exclusive right to develop the property at Ngau Chi Wan. Pursuant to the development agreement, Jumbo Power is responsible for bearing all costs and expenses of carrying out the development including the payment of land premium to the Hong Kong Government and applying for the planning approval and modification of the government grant. In return, Jumbo Power is entitled to all sales proceeds derived from the completed development. Polytec Holdings has guaranteed the due performance of Jumbo Power’s obligations under the agreement. As at the Latest Practicable Date, the amount of land premium has not been agreed with the Hong Kong Government.

Under the development agreement with The Little Sisters of the Poor, the Group is entitled to all sales proceeds of the development upon fulfillment of its obligations under the agreement. As such, all risks and economic benefits of the developments are with the Group and therefore the value of the properties should be attributable to the Group.

- (2) The registered owner of Section C of Lot No. 1907 is Jumbo Power Enterprises Limited and the remainder of the property is owned by Best Power (Asia) Limited.
- (3) According to the record in the Sai Kung Land Registry, the property is held from the Government under four New Grants (namely New Grant Nos. 902, 903, 904 and 1837). However, the Government records or copies of the said four New Grants are missing and cannot be found at the Sai Kung Land Registry when we conducted land search recently. Thus the site area, the conditions governing the usage and development of the property, the lease term and Government Rent, cannot be ascertained from the Government.

We have therefore relied on the provisions as contained in the two copies of Indentures provided by The Mother Superior of The Petites Soeurs Des Pauvres, St. Pern Bretagne. One of those Indentures was executed between the Government and Chan King Yue and was dated 12 May 1919. It concerns Lots Nos. 1904, 1905 and 1906. The other one was executed between the Government and The Mother Superior of The Petites Soeurs Des Pauvres, St. Pern Bretagne and was dated 26 September 1933. It relates to Lot No. 1907. We have based our valuation on the

information contained in those documents and other relevant material provided by the Company regarding the site area, the conditions governing the usage and development of the property, the lease term and Government Rent of the property. The lease terms have been extended until 30 June 2047 under Annex III of the Joint Declaration.

- (4)

According to the said copies of Indentures, the property is partly restricted for agricultural lot purposes and partly for building lot purposes subject to Schedule B of Government Notification Nos. 365 and 570 which mainly restrict developments to not exceeding two storeys.
- (5)

The property is currently zoned as a “Comprehensive Development Area” under Ngau Chi Wan Outline Zoning Plan No. S/K12/16 dated 2 November 2004. Any development or redevelopment in the “Comprehensive Development Area” necessitates an application under Section 16 of the Town Planning Ordinance with a Master Layout Plan. According to the explanatory notes of the said Outline Zoning Plan, no new development or addition, alteration and/or modification to the existing building(s) shall result in a total development or redevelopment being in excess of a maximum plot ratio of 7.5 for a domestic building or 9.0 for a building that is partly domestic and partly non-domestic.
- (6)

Under the aforesaid agreement as mentioned in note(1), Jumbo Power still has an outstanding obligation of approximately HK\$147,000,000 payable to The Little Sisters of the Poor for the exclusive development right of the property. The outstanding amount is payable on or before completion of the property development.
- (7)

As advised by the instructing party, Section 16 application has already been approved by the Town Planning Board and in undertaking the valuation we have taken into account the information contained in the most updated version of the Master Layout Plan which are set out as follows:

Site Area	:	233,576 sq.ft.
Proposed Gross Floor Area for commercial use	:	575,868 sq.ft.
Proposed Gross Floor Area for residential use	:	1,476,807 sq.ft.
Proposed Gross Floor Area for GIC use	:	49,514 sq.ft.
No. of residential blocks	:	5

(B) OTHER HONG KONG PROPERTIES OF THE GROUP

The following is the text of a letter, summary of valuation and valuation certificates, prepared for the purpose of incorporation in this circular of the Group dated 30 June 2005 received from Vigers Appraisal & Consulting Limited, an independent property valuer, in connection with its valuation as at 30 April 2005.

Vigers Appraisal & Consulting Limited
International Asset Appraisal Consultants



30 June 2005

10th Floor, The Grande Building
398 Kwun Tong Road
Kowloon
Hong Kong

The Directors
Kowloon Development Company Limited
23rd Floor
Pioneer Centre
No. 750 Nathan Road
Kowloon

Dear Sirs,

**Re: Valuation of various property interests in Hong Kong owned by
Kowloon Development Company Limited and its subsidiaries**

In accordance with your instructions for us to value the property interests of Kowloon Development Company Limited (the “Company”) and its subsidiaries (together referred to as “the Group”) as at 30 April 2005, we confirm that we have carried out inspections, made relevant enquiries and obtained such information as we consider necessary for the purpose of providing you with our opinion of their values.

Our valuation represents our opinion of the open market value. We define open market value as — “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 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 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 owner sold the properties on the open market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which could serve to increase or decrease the value of the properties.

In valuing the property interests in Group I which are held for investment by the Group, we have adopted the investment approach which capitalizes the rent receivable from the existing tenancies and the potential reversionary market rent of the property interests taking into account the market rental comparables in the open market.

In valuing the property interests in Group II, Group III and Group V, which are owner-occupied, held for sale and for future development purposes respectively by the Group, direct comparison approach is adopted with reference to comparable transactions in the open market and on the basis of vacant possession.

The property in Group IV, which is held by the Group under development, has been valued on comparison and residual bases assuming that the property is capable of development in accordance with the development proposals and terms of Government Leases supplied to us. We have also assumed that all consents, approvals and licences from relevant Government authorities for the proposed developments will or have been granted without any onerous conditions or undue delays which might affect the values.

We have relied to a considerable extent on information provided by you and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, occupations, lettings, rentals, site and floor areas and all other relevant matters. We have carried out searches at the Land Registry. However, we have not searched original documents to verify ownership or to ascertain the existence of any lease amendments which might not appear on the copies handed to us. All dimensions, measurements and areas are approximate.

We have inspected the exterior and, where possible, the interior of all properties included in the attached valuation certificates. However, we have not carried out any structural survey nor have we inspected woodwork or other parts of the structures which were covered, unexposed or inaccessible. We are therefore unable to confirm whether the properties were free from rot, infestation or any other defects.

We have not arranged for any investigation to be carried out to determine whether or not high alumina cement concrete or calcium chloride additive or pulverized fly ash, or any other deleterious material has been used in the construction of the properties. We are therefore unable to report that the properties were free from risk in this respect. For the purpose of this valuation, we have assumed that deleterious material has not been used in the construction of the properties.

No allowance has been made in our report for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties were free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

We enclose herewith our summary of values and valuation certificates.

Yours faithfully,
For and on behalf of
Vigers Appraisal & Consulting Limited
Gilbert, K. M. Yuen
Registered Professional Surveyor
MRICS, MHKIS
Director

Note: Gilbert K. M. Yuen, a registered professional surveyor has over 15 years' experience in undertaking valuations of properties in Hong Kong.

SUMMARY OF VALUES

Group I — Property interests held for investment by the Group in Hong Kong

Property	Capital value in existing state as at 30 April 2005	Interest attributable to the Group	Capital value in existing state attributable to the Group as at 30 April 2005
1. Pioneer Centre No. 750 Nathan Road Mongkok Kowloon	HK\$2,936,000,000	100%	HK\$2,936,000,000
2. 20th Floor of Argyle Centre Phase I No. 688 Nathan Road and No. 65 Argyle Street Mongkok Kowloon	HK\$49,000,000	100%	HK\$49,000,000
3. The Whole of the Basement Carpark of Manor Centre No. 213 Un Chau Street and No. 218 Fuk Wing Street Sham Shui Po Kowloon	HK\$35,000,000	100%	HK\$35,000,000
4. Parking Spaces Nos. L1, L2, L6-L8, L12-L36, V1-V28 on Basement and Parking Spaces Nos. V1-V17 on Ground Floor of Merit Industrial Centre No. 94 To Kwa Wan Road To Kwa Wan Kowloon	HK\$21,800,000	100%	HK\$21,800,000

APPENDIX IV PROPERTY VALUATION ON THE ENLARGED GROUP

	Property	Capital value in existing state as at 30 April 2005	Interest attributable to the Group	Capital value in existing state attributable to the Group as at 30 April 2005
5.	2nd-23rd Floors and the Roof The Elgin No. 51 Elgin Street Sheung Wan Hong Kong	HK\$50,000,000	100%	HK\$50,000,000
6.	Parking Spaces Nos. L3-L5, L9-L11 on Basement Parking Spaces Nos. C1-C2 on Ground Floor and Storeroom B on Ground Floor of Merit Industrial Centre No. 94 To Kwa Wan Road To Kwa Wan Kowloon	HK\$3,830,000	100%	HK\$3,830,000
7.	Various Shops on 1st Floor and Signage Spaces New Mandarin Plaza No. 14 Science Museum Road Tsim Sha Tsui Kowloon	HK\$125,000,000	100%	HK\$125,000,000
8.	Various Shops on Basement, Ground Floor, Mezzanine Floor and 1st Floor Sino Centre Nos. 582-592 Nathan Road Mongkok Kowloon	HK\$232,000,000	100%	HK\$232,000,000
9.	Parking space Nos, 59, 59A, 60, 60A, 61, 61A, 62, 63, 68 & 73 and the Whole Shop Space on Basement Peninsula Centre No. 67 Mody Road Kowloon	HK\$65,000,000	100%	HK\$65,000,000

APPENDIX IV

PROPERTY VALUATION ON THE ENLARGED GROUP

Property	Capital value		
	in existing state as at 30 April 2005	Interest attributable to the Group	in existing state attributable to the Group as at 30 April 2005
10. The Whole of 2nd Floor and Signage Spaces New Mandarin Plaza No. 14 Science Museum Road Tsim Sha Tsui Kowloon	HK\$111,000,000	100%	HK\$111,000,000
Sub-Total:	HK\$3,628,630,000		HK\$3,628,630,000

Group II — Property interests owned and occupied by the Group in Hong Kong

11. Units 1-4 on 17th Floor Pacific Trade Centre No. 2 Kai Hing Road Kowloon Bay Kowloon	HK\$1,700,000	85%	HK\$1,445,000
12. Flat A on 2nd Floor Kam Tong Court No. 47A Elgin Street Sheung Wan Hong Kong	HK\$1,200,000	100%	HK\$1,200,000
Sub-Total:	HK\$2,900,000		HK\$2,645,000

Group III — Property interests held for sale purposes by the Group in Hong Kong

13. 4 Car Parking Spaces on 5th Floor The Verandah Garden No. 42 Kung Lok Road Kwun Tong Kowloon	HK\$880,000	100%	HK\$880,000
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APPENDIX IV

PROPERTY VALUATION ON THE ENLARGED GROUP

		Capital value in existing state attributable to the Group as at 30 April 2005	Interest attributable to the Group	Capital value in existing state attributable to the Group as at 30 April 2005
Property				
14.	65 Car Parking Spaces on Lower Ground Floor Recours La Serre No. 118 Tong Yan San Tsuen Road Yuen Long New Territories	HK\$9,750,000	100%	HK\$9,750,000
15.	14 residential units on various floors and 25 carparking spaces on various levels of the carpark podium Padek Palace No. 377 Prince Edward Road West Kowloon City Kowloon	HK\$90,200,000	100%	HK\$90,200,000
Sub-Total:		HK\$100,830,000		HK\$100,830,000

Group IV — Property interests held by the Group under development in Hong Kong

16.	Nos. 31 and 31A-G Robinson Road Mid-Levels Hong Kong	HK\$663,000,000	100%	HK\$663,000,000
Sub-Total:		HK\$663,000,000		HK\$663,000,000

APPENDIX IV

PROPERTY VALUATION ON THE ENLARGED GROUP

Group V — Property interests held by the Group for future development in Hong Kong

Property	Capital value in existing state as at 30 April 2005	Interest attributable to the Group	Capital value in existing state attributable to the Group as at 30 April 2005
17. Lot No. 1154, Section A of Lot Nos. 1135, 1139, 1140, 1141, 1148, 1149, 1152 and 1153, Section B of Lot No. 1141 and the Remaining Portion of Lot No. 1153 in Demarcation District No. 121 Yuen Long New Territories	HK\$9,500,000	100%	HK\$9,500,000
Sub-Total:	HK\$9,500,000		HK\$9,500,000
Grand-Total:	HK\$4,404,860,000		HK\$4,404,605,000

VALUATION CERTIFICATE

Group I — Property interests held for investment by the Group in Hong Kong

			Open Market Value in existing state as at 30 April 2005																		
Property	Description and tenure	Particulars of occupancy																			
1. Pioneer Centre No. 750 Nathan Road Mongkok Kowloon	The property comprises a 25-storey commercial building plus three basement levels completed in about 1995.	As at 30 April 2005, the retail and office portions were let or subject to various tenants with the latest expiry in June 2008. About 10.35% retail spaces were vacant mostly on 3/F., whilst 1.02% office spaces were vacant. Office spaces of 23,756 sq.ft. on 23/F. and 24/F. Left Wing were occupied by the Group.	HK\$2,936,000,000																		
Kowloon Inland Lot No. 2111	<p>The basement levels are for car parking, retail and restaurant uses. The ground to 3rd floors are for retail uses. The 4th to 7th floors are for restaurant uses. The 8th and 9th floors are the mechanical floors and the upper floors are for office uses.</p> <p>The site on which the building stands has an area of about 37,261 sq.ft. (3,461.63 sq.m.). The approximate gross floor areas of the various floors are as follows:</p> <table><tr><th>Floor</th><th colspan="2">Gross Floor Area</th></tr><tr><td></td><th>sq.ft.</th><th>sq.m.</th></tr><tr><td>1st Basement</td><td>26,240.87</td><td>2,437.86</td></tr><tr><td>G/F-7/F</td><td>185,801.90</td><td>17,261.58</td></tr><tr><td>10/F-24/F</td><td>271,538.68</td><td>25,226.79</td></tr><tr><td></td><td><u>483,581.45</u></td><td><u>44,926.23</u></td></tr></table> <p>There are a total number of 124 car parking spaces.</p> <p>The property is held under a Government Lease for a term of 75 years from 30 April 1928, renewed for a further term of 75 years.</p> <p>The Government Rent payable for the whole Lot is HK\$3,971,258 per annum.</p>	Floor	Gross Floor Area			sq.ft.	sq.m.	1st Basement	26,240.87	2,437.86	G/F-7/F	185,801.90	17,261.58	10/F-24/F	271,538.68	25,226.79		<u>483,581.45</u>	<u>44,926.23</u>	<p>The total monthly rent receivable from retail and office portions was HK\$12,855,608.5 exclusive of rates and management fees.</p> <p>There are also incomes from various licences for advertising signs, banner, directory board & light box, exhibition spaces and antenna etc. Car parks are rented on monthly or hourly basis. The total income from various licences and car park for the first four months in 2005 were HK\$1,774,304 and HK\$2,673,374 respectively.</p>	
Floor	Gross Floor Area																				
	sq.ft.	sq.m.																			
1st Basement	26,240.87	2,437.86																			
G/F-7/F	185,801.90	17,261.58																			
10/F-24/F	271,538.68	25,226.79																			
	<u>483,581.45</u>	<u>44,926.23</u>																			

Notes:

- (1) The registered owner of the property is Kowloon Development Company Limited.
- (2) The property is subject to a Mortgage to secure banking facilities and a Supplement to Mortgage in favour of Bank of China (Hong Kong) Limited.

Property	Description and tenure	Particulars of occupancy	Open Market Value in existing state as at 30 April 2005
2. 20th Floor of Argyle Centre Phase I No. 688 Nathan Road and No. 65 Argyle Street Mongkok Kowloon	The property comprises the whole of 20th Floor of Phase I of Argyle Centre which is a 21-storey commercial building with a basement completed in about 1982. The basement, ground and 1st to 5th floors of the building are occupied as shops and the 7th to 20th floors are used as offices. The 6th floor is the mechanical floor.	As at 30 April 2005, the property was fully let to various tenants under various leases, with the latest one expires in June 2008. The total rent receivable was HK\$241,911 per month, exclusive of rates and management fees.	HK\$49,000,000
130/8,800th shares of and in Sections A, B and H of Kowloon Inland Lot No. 1262	The gross floor area of the property is about 15,774 sq.ft. (1,465.44 sq.m.). The property is held under a Government Lease for a term of 75 years from 18 February 1910, renewed for a further term of 75 years. The current total Government Rent payable for the property is HK\$36,396 per annum.		

Note:

- (1) The registered owner of the property is Units Properties Limited which is a wholly owned subsidiary company of the Company.

APPENDIX IV

PROPERTY VALUATION ON THE ENLARGED GROUP

Property	Description and tenure	Particulars of occupancy	Open Market Value in existing state as at 30 April 2005
3. The Whole of the Basement Carpark of Manor Centre No. 213 Un Chau Street and No. 218 Fuk Wing Street Sham Shui Po Kowloon	The property comprises 97 private car parking spaces on the basement of Manor Centre which is a private housing estate consisting of seven 13-storey residential blocks, a ground floor shopping arcade plus a car parking basement completed in 1986.	As at 30 April 2005, the property was licensed to a licensee to operate as a public car park. The licence term is for 1 year expiring on 31 December 2005 at a monthly licence fee (the “Minimum Licence Fee”) of HK\$180,000 or 80% of the gross receipts, whichever the higher, plus an additional turnover fee of 10% on any amount exceeds the gross receipt of \$230,000 (the “Turnover Fee”). The licence fee was exclusive of rates and management fees.	HK\$35,000,000
194/6,200th shares of and in The Remaining Portion of New Kowloon Inland Lot No. 2622	<p>The property is held under a Government Lease for a term originally expired on 30 June 1997 and has been extended to 30 June 2047 by virtue of New Territories Leases (Extension) Ordinance.</p> <p>The Government rent is equivalent to 3 per cent of the rateable value for the time being of the property per annum.</p>		

Note:

- (1)
- The registered owner of the property is Un Chau Properties Limited which is a wholly owned subsidiary company of the Company.

Property	Description and tenure	Particulars of occupancy	Open Market Value in existing state as at 30 April 2005
4. Parking Spaces Nos. L1, L2, L6-L8, L12-L36, V1-V28 on Basement and Parking Spaces Nos. V1-V17 on Ground Floor of Merit Industrial Centre No. 94 To Kwa Wan Road To Kwa Wan Kowloon	<p>The property comprises 28 private car and 30 lorry parking spaces on the basement and 17 private car parking spaces on the ground floor of Merit Industrial Centre which is a 13-storey plus a basement level industrial building completed in 1986.</p> <p>The property is held under a Government Lease for a term of 75 years from 5 October 1953 with a right to renew for a further term of 75 years.</p> <p>The Government Rent payable for the Lot is HK\$2,192.00 per annum.</p>	<p>As at 30 April 2005, a manager was appointed as the owner's managing agent to operate the car parks for 1 year term expiring on 31 December 2005 and the income was based on the gross receipts from the operation of the property after the deduction of the manager's remuneration of HK\$23,700 per month.</p>	HK\$21,800,000
180/5,600th shares of and in The Remaining Portion of Kowloon Inland Lot No. 6393			

Note:

- (1) The registered owner of the property is Un Chau Properties Limited which is a wholly owned subsidiary company of the Company.

APPENDIX IV

PROPERTY VALUATION ON THE ENLARGED GROUP

Property	Description and tenure	Particulars of occupancy	Open Market Value in existing state as at 30 April 2005
5. 2nd-23rd Floors and the Roof The Elgin No. 51 Elgin Street Sheung Wan Hong Kong 562/780th shares of and in The Remaining Portion of Section G of Inland Lot No. 126	<p>The property comprises the whole of residential floors on 2nd, 3rd, 5th, 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22nd, 23rd floors and the Roof of The Elgin which is a 23-storey composite building with the lower ground floor, upper ground floor and 1st floor for commercial use and the upper floors for residential use completed in 1997.</p> <p>The total gross floor area of the property is approximately 14,280 sq.ft. (1,326.64 sq.m.).</p> <p>The property is held under a Government Lease for a term of 999 years from 1 February 1855. The current Government Rent payable for the whole of Section G of the Lot is HK\$8.40 per annum.</p>	As at 30 April 2005, all the units were let to various tenants under short to medium terms, with the latest one expires in May 2006. The total monthly rent and licence fee receivable was HK\$358,000, inclusive of rates, management fees and service charge.	HK\$50,000,000

Note:

- (1)
- The registered owner of the property is Units Properties Limited which is a wholly owned subsidiary company of the Company.

APPENDIX IV

PROPERTY VALUATION ON THE ENLARGED GROUP

Property	Description and tenure	Particulars of occupancy	Open Market Value in existing state as at 30 April 2005
6. Parking Spaces Nos. L3-L5, L9-L11 on Basement, Parking Spaces Nos. C1-C2 and Storeroom B on Ground Floor of Merit Industrial Centre No. 94 To Kwa Wan Road To Kwa Wan Kowloon	<p>The property comprises 6 lorry parking spaces on the basement, 2 container parking spaces and a storeroom on the ground floor of Merit Industrial Centre which is a 13-storey plus a basement level industrial building completed in 1986. The gross floor area of the storeroom is about 822 sq.ft. (76.37 sq.m.).</p> <p>The property is held under a Government Lease for a term of 75 years from 5 October 1953 with a right of renewal for a further term of 75 years.</p> <p>The Government Rent payable for the Lot is HK\$2,192.00 per annum.</p>	<p>As at 30 April 2005, the property was vacant.</p>	HK\$3,830,000
40/5,600th shares of and in The Remaining Portion of Kowloon Inland Lot No. 6393			

Note:

- (1) The registered owner of the property is To Kwa Wan Properties Limited which is a wholly owned subsidiary company of the Company.

APPENDIX IV

PROPERTY VALUATION ON THE ENLARGED GROUP

Property	Description and tenure	Particulars of occupancy	Open Market Value in existing state as at 30 April 2005
7. Various Shops on 1st Floor and Signage Spaces New Mandarin Plaza No. 14 Science Museum Road Tsim Sha Tsui Kowloon	The property comprises 127 shop units on the 1st floor and the signage spaces on the external wall of New Mandarin Plaza, which is a development comprising two 14-storey commercial buildings plus two basement levels completed in 1982.	As at 30 April 2005, about 4,661 sq.ft. gross spaces were vacant, other floor spaces were let to various tenants under various leases and licences with the latest one expires in January 2008.	HK\$125,000,000
44,331/50,127th of 2,081/30,000th shares of and in Kowloon Inland Lot No. 10599 (for Shops)	The total gross floor area of the property is approximately 49,430 sq.ft. (4,592.16 sq.m.).	The total rent receivable was HK\$752,219 per month, exclusive of rates and management fees and the total licence fee receivable was HK\$6,300 per month, inclusive of rates and management fees, and the total licence fee receivable from signage space was HK\$1,201 per month exclusive of rates.	
29,053/32,630th of 3.3/30,000th shares of and in Kowloon Inland Lot No. 10599 (for Signage Spaces)	The property is held under Conditions of Sale No. 11333 for a term of 75 years commencing from 18 June 1979, with a right of renewal for a further term of 75 years. The current Government Rent payable for the whole Lot is HK\$1,000 per annum.		

Notes:

- (1) The registered owner of the property is Units Properties Limited which is a wholly owned subsidiary company of the Company.
- (2) The subject units are Shop Nos. 101-103, 105-113, 115-123, 125-133, 135-143, 145-146, 157-163, 165-173, 175-183, 185-193, 195-203, 205-213, 215-223, 225-233, 235-243 and 245-251.
- (3) The property is subject to a Mortgage to secure general banking facilities in favour of Hang Seng Bank Limited vide Memorial No. 8842250 dated 13 December 2002.

APPENDIX IV

PROPERTY VALUATION ON THE ENLARGED GROUP

Property	Description and tenure	Particulars of occupancy	Open Market Value in existing state as at 30 April 2005
8. Various Shops on Basement, Ground Floor, Mezzanine Floor and 1st Floor Sino Centre Nos. 582-592 Nathan Road Mongkok Kowloon	<p>The property comprises 29 shop units on the basement, 17 shop units on the ground floor, 2 shop units on the mezzanine floor and 3 shop units on the 1st floor of Sino Centre which is a 23-storey commercial building plus a basement level completed in 1979.</p>	<p>As at 30 April 2005, about 10,035 sq.ft. of the property have been let or subject to various tenants under various leases and licences, with the latest one expires in August 2007. The total rent receivable was HK\$1,117,792 per month, exclusive of rates and management fees.</p>	HK\$232,000,000
965/3,935th shares of and in Kowloon Inland Lot Nos. 7051, 7052, 7053, 7054, 7055 and 7056	<p>The total gross floor area of the property is approximately 10,931 sq.ft. (1,015.51 sq.m.).</p> <p>The property is held under six Government Leases, all for a term of 75 years commencing from 28 January 1907, renewed for a further term of 75 years. The current Government Rent payable for the Lots is HK\$154,566.00 per annum.</p>		

Notes:

- (1) The registered owner of the property is Tyleelord Development & Agency Company Limited which is a wholly owned subsidiary company of the Company.
- (2) The subject units are Shop Nos. B1, B7-B11, B15-B26, B29-B35, B41-B43, B50, G5, G6, G7, G8, G10-G12, G17-G21, G31, G34-G37, M19, M37, 118, 120 and 130.
- (3) The property is subject to a Mortgage to secure general banking facilities in favour of Hang Seng Bank Limited.

APPENDIX IV

PROPERTY VALUATION ON THE ENLARGED GROUP

Property	Description and tenure	Particulars of occupancy	Open Market Value in existing state as at 30 April 2005
9. Parking Space Nos. 59, 59A, 60, 60A, 61, 61A, 62, 63, 68 & 73 and the Whole Shop Spaces on Basement Peninsula Centre No. 67 Mody Road Kowloon	<p>The property comprises 10 parking spaces and the whole shop spaces on the basement of Peninsula Centre, which is a commercial development of 15-storey plus a basement level completed in 1981.</p> <p>The total gross floor area of the whole shop spaces of the property is approximately 19,018 sq.ft. (1,766.82 sq.m.).</p> <p>The property is held from Government under Conditions of Sale No. 11241 for a term of 75 years commencing from 13 September 1978, with a right to renew for a further term of 75 years.</p> <p>The Government Rent payable for the Lot is HK\$1,000 per annum.</p>	<p>As at 30 April 2005, the whole shop spaces on the basement was leased to a tenant for three years seven months and twenty one days expiring on 31 December 2007, the current monthly rent is HK\$328,000 and increased to HK\$433,780 from 1 January 2006, both exclusive of rates and management fees, whilst all the 10 parking spaces are licensed to one licensee on monthly basis at monthly licence fee of HK\$35,200 inclusive of rates and management fees.</p>	HK\$65,000,000
875/32,476th shares of and in Kowloon Inland Lot No. 10598			

Note:

- (1) The registered owner of the property is Wealrise Investments Limited which is a wholly owned subsidiary company of the Company.

APPENDIX IV

PROPERTY VALUATION ON THE ENLARGED GROUP

Property	Description and tenure	Particulars of occupancy	Open Market Value in existing state as at 30 April 2005
10. The Whole of 2nd Floor and Signage Spaces New Mandarin Plaza No. 14 Science Museum Road Tsim Sha Tsui Kowloon	The property comprises the whole of 2nd Floor and the signage spaces on the external wall of New Mandarin Plaza which is a development comprising two 14-storey commercial buildings plus two basement levels completed in 1982.	As at 30 April 2005, the property was divided into three portions. Portion A was leased for a term of two years nine months and six days to expire on 31 December 2006	HK\$111,000,000
2,325/30,000th shares of and in Kowloon Inland Lot No. 10599 (for Shops)	The total gross floor area of the property is approximately 56,228 sq.ft. (5,223.71 sq.m.).	with option to renew for two years and the current monthly rent being	
1.3/30,000th shares of and in Kowloon Inland Lot No. 10599 (for Signage Spaces)	The property is held from Government under Conditions of Sale No. 11333 for a term of 75 years commencing from 18 June 1979, with a right to renew for a further term of 75 years.	HK\$293,502 exclusive of rates and management fees plus 5% to 20% turnover rent depending on the amount of gross receipt in each month. Portion B1 was vacant, whilst Portion B2 was subject to a lease to be commenced from 1 May 2005 for three years at a monthly rent of HK\$106,195 exclusive of rates and management fees with an option to renew for three years.	
	The Government Rent payable for the whole Lot is HK\$1,000 per annum.		

Notes:

- (1) The registered owner of the property is Wealrise Investments Limited which is a wholly owned subsidiary company of the Company.
- (2) The property is subject to a Mortgage to secure general banking facilities and Rent Assignment in favour of the Hongkong and Shanghai Banking Corporation Limited.

Group II — Property interests owned and occupied by the Group in Hong Kong

Property	Description and tenure	Particulars of occupancy	Open Market Value in existing state as at 30 April 2005																					
11. Units 1-4 on 17th Floor Pacific Trade Centre No. 2 Kai Hing Road Kowloon Bay Kowloon	The property comprises 4 workshops on the 17th Floor of a 15-storey (there are no 4th, 13th and 14th Floors) industrial building plus a basement level completed in 1990.	As at 30 April 2005, the property was occupied by the Group as godown	HK\$1,700,000 (85% attributable to the Group: HK\$1,445,000)																					
54/12,041st shares of and in New Kowloon Inland Lot No. 6036	The total gross floor area of the property is about 3,687 sq.ft. (342.53 sq.m.) and is listed as follows:																							
	<table><tr><th>Unit</th><th colspan="2">Gross Floor Area</th></tr><tr><td></td><td>sq.ft.</td><td>sq.m.</td></tr><tr><td>Unit 1</td><td>1,525</td><td>141.67</td></tr><tr><td>Unit 2</td><td>716</td><td>66.52</td></tr><tr><td>Unit 3</td><td>723</td><td>67.17</td></tr><tr><td>Unit 4</td><td>723</td><td>67.17</td></tr><tr><td></td><td><u>3,687</u></td><td><u>342.53</u></td></tr></table>	Unit	Gross Floor Area			sq.ft.	sq.m.	Unit 1	1,525	141.67	Unit 2	716	66.52	Unit 3	723	67.17	Unit 4	723	67.17		<u>3,687</u>	<u>342.53</u>		
Unit	Gross Floor Area																							
	sq.ft.	sq.m.																						
Unit 1	1,525	141.67																						
Unit 2	716	66.52																						
Unit 3	723	67.17																						
Unit 4	723	67.17																						
	<u>3,687</u>	<u>342.53</u>																						
	The property is held from Government under Conditions of Sale No. 11936 for a term commencing from 23 March 1987 until 30 June 2047.																							
	The annual Government Rent payable for the property is equivalent to 3 per cent of the rateable value for the time being of the property.																							

Note:

- (1) The registered owner of the property is Golden Princess Amusement Company Limited which is an 85% owned subsidiary company of the Company. The remaining 15% is owned by an independent third party not related to the Company.

APPENDIX IV

PROPERTY VALUATION ON THE ENLARGED GROUP

Property	Description and tenure	Particulars of occupancy	Open Market Value in existing state as at 30 April 2005
12. Flat A on 2nd Floor Kam Tong Court No. 47A Elgin Street Sheung Wan Hong Kong	The property comprises an apartment unit on the 2nd floor of Kam Tong Court which is a 6-storey composite building completed in 1992.	As at 30 April 2005, the property was occupied and used by a subsidiary company of the Group.	HK\$1,200,000
1/15th shares of and in Sub-Section 5 of Section A of Inland Lot No. 121	<p>The gross floor area of the property is approximately 383 sq.ft. (35.58 sq.m.).</p> <p>The property is held under a Government Lease for a term of 999 years from 22 January 1845.</p> <p>The Government Rent payable for the whole of Section A of the Lot is HK\$7.00 per annum.</p>		

Note:

- (1)
- The registered owner of the property is Units Properties Limited which is a wholly owned subsidiary company of the Company.

Group III — Property interests held for sale purposes by the Group in Hong Kong

Property	Description and tenure	Particulars of occupancy	Open Market Value in existing state as at 30 April 2005
13. 4 Car Parking Spaces on 5th Floor The Verandah Garden No. 42 Kung Lok Road Kwun Tong Kowloon	The property comprises Car Parking Spaces Nos. 51, 53, 54, and 55 on the 5th Floor of The Verandah Garden, which is a 21-level residential building surmounting on a 7-level of entertainment/ car parking podium. The development was completed in 1998.	As at 30 April 2005, the property was vacant.	HK\$880,000
36/3,410th shares of and in Kwun Tong Inland Lot No. 738	<p>The property is held from Government under Conditions of Exchange No. 12395 for a term commencing from 25 June 1996 until 30 June 2047.</p> <p>The Government Rent payable for the property is equivalent to 3 per cent of the rateable value for the time being of the property per annum.</p>		

Note:

- (1)
- The registered owner of the property is Tyleelord Development & Agency Company Limited which is a wholly owned subsidiary company of the Company.

APPENDIX IV

PROPERTY VALUATION ON THE ENLARGED GROUP

Property	Description and tenure	Particulars of occupancy	Open Market Value in existing state as at 30 April 2005
14. 65 Car Parking Spaces on Lower Ground Floor Recours La Serre No. 118 Tong Yan San Tsuen Road Yuen Long New Territories	The property comprises 65 car parking spaces on the lower ground floor of Recours La Serre which is a development of eight 4-storey residential blocks erected on a lower ground carpark podium completed in 2002.	As at 30 April 2005, the property was vacant.	HK\$9,750,000
260/9,364th shares of and in Lot No. 2057 in Demarcation District No. 121	The property is held under New Grant No. 4338 for a term commencing from 25 April 1997 until 30 June 2047. The Government Rent payable for the property is 3 per cent of the rateable value for the time being of the property per annum.		

Notes:

- (1) The registered owner of the property is Wealrise Investments Limited which is a wholly owned subsidiary company of the Company.
- (2) The car parking spaces include Nos. P1-P3, P5-P9, P12, P40, P42, P48, P50-P52, P57-P59, P67, P69-P73, P75-P80, P83, P85-P93, P95, P99, P101-P103, P105-P110, P116, P131-P133, P135-P138, P143, P155-P158 and P170.

APPENDIX IV

PROPERTY VALUATION ON THE ENLARGED GROUP

Property	Description and tenure	Particulars of occupancy	Open Market Value in existing state as at 30 April 2005
15. 14 residential units on various levels and 25 car parking spaces on various levels of carpark podium of Padek Palace, No. 377 Prince Edward Road West, Kowloon City, Kowloon	The property comprises 14 residential units on various floors and 25 car parking spaces on various levels of the carpark podium of Padek Palace, which is a development of a 17-storey residential tower on a 5-level carpark podium and a level of clubhouse. The development was completed in 2004.	As at 30 April 2005, the property was vacant.	HK\$90,200,000
2454/22,336th shares of and in Section A of Kowloon Inland Lot No. 4234	<p>The gross floor area of the residential units is 1,141.21 sq.m. (12,284 sq.ft.)</p> <p>The property is held from Government under Conditions of Sale No. 4056 for a term of 75 years commencing from 11 March 1940 with a right to renew for a further 75 years.</p> <p>The Government rent payable for the whole lot is HK\$246 per annum.</p>		

Notes:

- (1)

The registered owner of the property is Pak Hop Shing Company Limited which is a wholly owned subsidiary company of the Company.
- (2)

The residential units include 7A, 7B, 11B, 11D, 16D, 17C, 17D, 19C, 19D, 20C, 22C, 22D, 23C and 23D. The car parking spaces include No. 14 on 1st Floor, Nos. 23, 24, 25, 27, 28 on 2nd Floor, Nos. 35, 36, 37, 38, 39, 40, 41, 42, 43 and 44 on 3rd Floor and Nos. 45, 46, 47, 49, 52, 53, 54, 55 and 56 on 5th Floor.

Group IV — Property interests held by the Group under development in Hong Kong

Property	Description and tenure	Particulars of occupancy	Open Market Value in existing state as at 30 April 2005
16. Nos. 31 and 31A-G Robinson Road Mid-Levels Hong Kong	The property comprises a site having a site area of approximately 15,692 sq.ft. (1,457.82 sq.m.) upon which a 30-storey residential tower erected on a 5-level of carpark podium, a podium garden and a level of clubhouse is to be constructed. Foundation work has been completed. Superstructure work is in progress.	As at 30 April 2005, the property was under construction.	HK\$663,000,000
The Remaining Portions of Sections B, C and E of Inland Lot No. 711, Sections F, G and the Remaining Portion of Inland Lot No. 711 and the Remaining Portions of Sub-sections 1 and 2 of Section C of Inland Lot No. 711	Upon completion, the ground floor to 5th floor will be for car parking uses accommodating 88 private car parking spaces and 6 motor parking spaces and the upper floors will be for domestic uses with a podium garden, a sky garden and a clubhouse.		
	The total gross floor area of the property is approximately 128,084 sq.ft. (11,899.32 sq.m.).		
	The development is expected to be completed in the first half of 2006.		
	The property is held under a Government Lease for a term of 999 years commencing from 25 June 1861. The current Government Rent payable for the property is HK\$26.00 per annum.		

Notes:

- (1)

The registered owner of the property is King’s City Holdings Limited which is a wholly owned subsidiary company of the Company.
- (2)

The property is subject to a Debenture and Further Debenture in favour of Wing Lung Bank Limited.
- (3)

The property is subject to a Sealed Copy of Amended Order and Sealed Copy of Order and a Sealed Copy Writ of Summons (Remarks: in H. C. Action No. 192 of 2003).
- (4)

The property is zoned “Residential (Group B)” on the Mid-Levels West Outline Zoning Plan No. S/H11/13 dated 25th June 2002.
- (5)

The total construction cost expended on the property as at 30 April 2005 was in the sum of HK\$89,596,000 (excluding interests capitalized) which has been reflected in the capital value in existing state.
- (6)

The estimated capital value of the development when completed as at 30 April 2005 was HK\$900,000,000.

Group V —

Property interests held by the Group for future development in Hong Kong

Property	Description and tenure	Particulars of occupancy	Open Market Value in existing state as at 30 April 2005
17. Lot No. 1154, Section A of Lot Nos. 1135, 1139, 1140, 1141, 1148, 1149, 1152 and 1153, Section B of Lot No. 1141 and the Remaining Portion of Lot No. 1153 in Demarcation District No. 121 Yuen Long New Territories	<p>The property comprises 11 pieces of agricultural land situated in Tong Yan San Tsuen of Yuen Long.</p> <p>The registered site area of the property is approximately 29,483 sq.ft. (2,739.04 sq.m.).</p> <p>The property is held under a Block Government Lease for a term extended to 30 June 2047.</p> <p>The current Government Rent payable for the property is 3 per cent of the rateable value of the property per annum.</p>	As at 30 April 2005, the property was vacant.	HK\$9,500,000

Notes:

- (1)

The registered owner of the property is Wealrise Investments Limited which is a wholly owned subsidiary company of the Company.
- (2)

The property is zoned “Residential (Group B) 1” on the Tong Yan San Tsuen Outline Zoning Plan No. S/YL-TYST/8 dated 11 June 2004.
- (3)

As at 30 April 2005, there was no development plan for the property.

(C) MACAU PROPERTIES OF THE GROUP

Set out below are the texts of a letter, summary of values and valuation certificate received from DTZ Debenham Tie Leung Limited in connection with their valuations as at 30 April 2005 of the property interests of the Group, and are prepared for the purpose of inclusion in this circular:



30 June 2005

The Directors
Kowloon Development Company Limited
23/F, Pioneer Centre
750 Nathan Road
Mongkok
Kowloon

Dear Sirs,

Re: Lote S, Novos Aterros da Areia Preta, Macau.

In accordance with your instructions for us to value the captioned property (“the property”) in which Kowloon Development Company Limited (“the Company”) has interest, 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 market value of the property as at 30 April 2005 (“the date of valuation”).

Our valuation of the property represents its market value which in accordance with the Valuation Standards on Properties of the Hong Kong Institute of Surveyors is defined as “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.”

Our valuation excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In undertaking our valuation, we have based on the development proposal given to us by the Company and have valued the property by comparison method by making reference to market comparables with due allowance for the necessary costs to complete the development.

We have not been provided with copies of the title documents relating to the property, but have caused searches to be made at the Land Registry in Macau. However, we have not searched the original documents to verify ownership or to ascertain any amendments. According to the opinion of Henrique Saldanha, a Macau lawyer, the owner of the property has a good and marketable title to the property. All documents have been used for reference only and all dimensions, measurements and areas are approximate.

We have relied to a considerable extent on the information provided by the Company and have accepted advice given to us on such matters as statutory notices, easements, tenure, scheduled completion date, particulars of occupancy, identification of property, development scheme, considerations of sold units, construction costs expended, estimated outstanding construction costs, site and floor areas and all other relevant matters.

We have inspected the property. No structural survey has been made, but in the course of our inspections, we did not note any serious defects. We are not, however, able to report whether the property is free of rot, infestation or any other structural defects. No tests were carried out on any of the services. We have not made any soil or site investigation at the property. In undertaking our valuation, we have assumed that the site conditions are suitable for the proposed development and no extraordinary costs or delays will be incurred in the construction.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

Our valuation certificate is hereby enclosed.

Yours faithfully,
for and on behalf of
DTZ Debenham Tie Leung Limited
K.B. Wong
Registered Professional Surveyor
M.R.I.C.S., M.H.K.I.S.
Director

Note: Mr K.B. Wong is a registered professional surveyor with over 15 years of experience in valuation of properties in Macau.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2005
Lote S, Novos Aterros da Areia Preta, Macau	The property comprises a site with a registered site area of 149,792 sq.ft. (13,916 sq.m.) situated in the new reclamation area of the Areia Preta in the northern part of Macau.	The property is under construction and superstructure works are in progress.	HK\$1,700,000,000

The site is proposed to be developed into five blocks of 33 to 35-storey residential blocks erected over a 3-storey commercial, car parking and recreation podium. The property is under construction and is scheduled to be completed by December 2005.

The development will comprise about 872 residential units, 843 private car parking spaces, 180 motor cycle parking spaces and 49 commercial units.

In accordance with the information provided by the Company, the gross floor areas of the property are approximately as follows:

	Approximate Gross Floor Area	
	<i>sq.ft.</i>	<i>sq.m.</i>
Residential	1,505,345	139,849.96
Commercial	97,793	9,085.19
Total:	<u>1,603,138</u>	<u>148,935.15</u>

The property is held under a Macau Government lease for the residue of a term of 25 years from 26 December 1990. The lease term may be successively renewed until 19 December 2049 in accordance with the relevant legislations. The Government rent payable for the property during the development period is MOP8 per sq.m. of site area per annum.

APPENDIX IV

PROPERTY VALUATION ON THE ENLARGED GROUP

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2005
	After the issuance of occupation permit, the Government rents will be computed as follows:		
	Residential : MOP4 per sq.m. of gross construction area per annum.		
	Commercial : MOP6 per sq.m. of gross construction area per annum.		
	Parking : MOP4 per sq.m. of gross construction area per annum.		

Notes:

- (1)

The registered owner of the property is Sociedade de Importacao e Exportacao Polytex Limitada (also known as “Polytex Corporation Limited”). Both Polytex Corporation Limited and the Company are fellow subsidiaries under Polytec Holdings International Limited.
- (2)

According to the Company, the total estimated cost of development is about HK\$500 million of which about HK\$250 million remains outstanding. We have allowed for the outstanding development cost in our valuation.
- (3)

As advised by the Company, a total number of 842 residential units were contracted to be sold to individual purchasers at a total consideration of about HK\$1,766,000,000. In undertaking our valuation, we have included those presold units and the full amount of such consideration into our valuation.

(D) PROPERTIES OF SHENZHEN PROPERTIES

The following is the text of a letter, summary of valuations and valuation certificate prepared for the purpose of incorporation in this circular received from DTZ Debenham Tie Leung Limited, an independent valuer, in connection with their valuations as at 30 April 2005 of the property interests of Shenzhen Properties Group.



30 June 2005

The Directors
Kowloon Development Company Limited
23/F Pioneer Centre
750 Nathan Road
Kowloon
Hong Kong

Dear Sirs,

In accordance with your instructions for us to value the property interests of Shenzhen Properties & Resources Development (Group) Limited (referred to as the “Shenzhen Properties”) and its subsidiaries (together referred to as the “Shenzhen Properties Group”) in the People’s Republic of China (the “PRC”) and in the Hong Kong Special Administrative Region of the PRC (“Hong Kong”) (as more particularly described in the attached valuation certificates), we confirm that we have inspected the properties, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the values of such property interests as at 30 April 2005.

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

Our valuations exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In the course of our valuation of the property interests in the PRC, we have assumed that transferable land use rights in respect of the property interests for their respective specific terms at nominal annual land use fees have been granted and that any land grant premium payable has already been fully paid. We have relied on the information and advice given by Shenzhen Properties Group and the legal adviser on PRC law, Guangdong Yeasun Law Firm, regarding the title to each of the property interests and the interests of Shenzhen Properties Group in the properties. In valuing the property interests, we have unless otherwise stated assumed that Shenzhen Properties Group has an enforceable title to each of the property interests and has free and uninterrupted right to use, occupy or assign the property interests for the whole of the respective unexpired terms as granted.

In respect of the property interests situated in the PRC, the status of titles and grant of major certificates, approvals and licences, in accordance with the information provided by Shenzhen Properties Group and the advice provided by Guangdong Yeasun Law Firm, are set out in the notes in the respective valuation certificate.

In valuing the properties in Hong Kong which are held under Government Leases expiring before 30 June 1997, we have taken account of the provisions contained in Annex III of the Joint Declaration of the Government of the United Kingdom and the Government of People's Republic of China on the Question of Hong Kong and the New Territories Leases (Extension) Ordinance 1988 that such leases have been extended without premium until 30 June 2047 and that a rent of three per cent of the rateable value for the time being of each of such properties is charged per annum from the date of extension.

In valuing the property interests in Group I, which are held for investment by Shenzhen Properties Group in the PRC, we have valued each of these property interests by investment method on the basis of capitalization of the existing rental with due provisions for reversionary income potential.

In valuing the property interests in Group II, which are held by the Shenzhen Properties Group for owners' occupation in the PRC, we have valued each of these property interests by the direct comparison approach assuming sale of each of these property interests in its existing state with the benefit of vacant possession and by making reference to comparable site transactions as available in the relevant market.

In valuing the property interests in Group III, which are held for sale by Shenzhen Properties Group in the PRC, we have also valued each of these property interests by the direct comparison approach assuming sale of each of these property interests in its existing state with the benefit of vacant possession and by making reference to comparable sales transactions as available in the relevant market.

In valuing the property interests in Group IV, which are held for under development by Shenzhen Properties Group in the PRC, we have valued each of these property interests on the basis that these properties will be developed and completed in accordance with the Group's latest development proposals provided to us. We have assumed that approvals for the proposals have been obtained. In arriving at our opinion of value, we have adopted the direct comparison approach by making reference to comparable sales evidence as available in the relevant market and have also taken into account the expended construction costs and the construction costs that will be expended to complete the development to reflect the quality of the completed development. The "Capital value when completed" represents our opinion of the aggregate selling prices of the development assuming that it would have been completed at the date of valuation.

In valuing the property interests in Group V, which are held for future development by Shenzhen Properties Group in the PRC, we have also valued each of these property interests by the direct comparison approach assuming sale of each of these property interests in its existing state with the benefit of vacant possession and by making reference to comparable sales transactions as available in the relevant market.

The property valuation complies with the requirements set out in Chapter 5 and Practice Note 12 of the Listing Rules of Hong Kong Stock Exchange and Clearing Company Limited and Valuation Standards (First Edition 2005) on Properties of The Hong Kong Institute of Surveyors.

In respect of the property interests in the PRC, we have been provided with extracts of documents in relation to the titles to the property interests. However, we have not inspected the original documents to ascertain any amendments, which may not appear on the copies handed to us.

In the course of our valuation, we have relied to a considerable extent on the information given by Shenzhen Properties Group and advice given by the PRC legal advisers on PRC law and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, completion date of buildings, identification of buildings, number of car parking spaces, particulars of occupancy, joint venture agreements, articles of association, development schemes, construction costs, site and gross floor area and all other relevant matters.

Dimensions, measurements and areas included in the valuation certificate are based on information provided to us and are therefore only approximations. We have no reason to doubt the truth and accuracy of the information provided to us by Shenzhen Properties Group which is material to the valuations. We were also advised by Shenzhen Properties Group that no material facts have been omitted from the information provided.

We have inspected the exterior and, where possible, the interior of each of the properties. However, we have not carried out investigations on site to determine the suitability of the ground conditions and the services etc. for any future development. Our valuations are prepared on the assumption that these aspects are satisfactory and that no unexpected costs or delays will be incurred during the construction period. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defects. No tests were carried out to any of the services. Unless otherwise stated, we have not been able to carry out detailed on-site measurements to verify the site and gross floor areas of the properties and we have assumed that the areas shown on the documents handed to us are correct.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the property interests nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

Unless otherwise stated, all sums stated in our valuations are in Hong Kong dollars. The exchange rate adopted in our valuation is HK\$1=RMB1.06 which was the approximate exchange rate prevailing as at the date of valuation and there has been no significant fluctuation in such exchange rate between that date and the date of this letter.

Yours faithfully,
for and on behalf of
DTZ Debenham Tie Leung Limited
K B Wong
Registered Professional Surveyor (GP)
China Real Estate Appraiser
M.R.I.C.S., M.H.K.I.S.
Director

Note: Mr. K.B. Wong is a Registered Professional Surveyor who has over 18 years of experience in the valuation of properties in the PRC and Hong Kong.

SUMMARY OF VALUATION

Group I — Property interests held for investment by Shenzhen Properties Group in the PRC

Property	Capital value in existing state as at 30 April 2005 <i>RMB</i>	Attributable interest to Shenzhen Properties Group <i>%</i>	Capital value in existing state as at 30 April 2005 attributable to Shenzhen Properties Group <i>RMB</i>
A. Shenzhen Properties & Resources Development (Group) Limited			
1. Levels 1-5, District A, Shenzhen International Trade Center, Renminnan Road, Luohu District, Shenzhen City, Guangdong Province	182,522,000	100	182,522,000
2. Portion of Levels 1-4 and whole Levels 16, 20, 48 and 49, District B, Shenzhen International Trade Center, Renminnan Road, Luohu District, Shenzhen City, Guangdong Province	52,138,000	100	52,138,000
3. 114 units of Guomao Commercial Building, Nanhu Road, Luohu District, Shenzhen City, Guangdong Province	86,852,000	100	86,852,000

APPENDIX IV

PROPERTY VALUATION ON THE ENLARGED GROUP

		Capital value in existing state as at 30 April 2005	Attributable interest to Shenzhen Properties Group	Capital value in existing state as at 30 April 2005 attributable to Shenzhen Properties Group
Property		RMB	%	RMB
4.	Units 1901-1908, Level 19, Block A Tianan International Building, Renminnan Road, Luohu District, Shenzhen City, Guangdong Province	5,000,000	100	5,000,000
5.	16 units on Levels 2-5 of Guomao Commercial/ Residential Building, Nanhu Road, Luohu District, Shenzhen City, Guangdong Province	7,542,000	100	7,542,000
6.	Meilin Factory and Meilin Composite Building, Meihua Road, Shangmeilin, Futian District, Shenzhen City, Guangdong Province	35,739,000	100	35,739,000
7.	Chuanbu Street Staff Quarter, Chuanbu Street, Heping Road, Luohu District, Shenzhen City, Guangdong Province	19,437,000	100	19,437,000
8.	Hepingxinju Shop, Chuanbu Street, Heping Road, Luohu District, Shenzhen City, Guangdong Province	3,759,000	100	3,759,000

APPENDIX IV

PROPERTY VALUATION ON THE ENLARGED GROUP

		Capital value in existing state as at 30 April 2005	Attributable interest to Shenzhen Properties Group	Capital value in existing state as at 30 April 2005 attributable to Shenzhen Properties Group
Property		RMB	%	RMB
9.	Yingchun Road Electricity Station, Yingchun Road, Luohu District, Shenzhen City, Guangdong Province	No commercial value	100	No commercial value
10.	Level 1, Block 1, Hongling Building, Hongling Road, Futian District, Shenzhen City, Guangdong Province	No commercial value	100	No commercial value
11.	Baqualing Staff Quarter, Baqualing, Futian District, Shenzhen City, Guangdong Province	No commercial value	100	No commercial value
12.	Level 3, Block 144, Shazui Industrial Factory, Shazui Industrial District, Futian District, Shenzhen City, Guangdong Province	No commercial value	100	No commercial value
13.	4 residential units and 277 shop units of Danshui Property City, Huiyang City, Guangdong Province	9,445,000	100	9,445,000

APPENDIX IV

PROPERTY VALUATION ON THE ENLARGED GROUP

Property		Capital value in existing state as at 30 April 2005 <i>RMB</i>	Attributable interest to Shenzhen Properties Group %	Capital value in existing state as at 30 April 2005 attributable to Shenzhen Properties Group <i>RMB</i>
14.	Levels 1 and 2 of ancillary building of Fuchang Building, Fuminxinchuan, Fujiang Road, Shenzhen City, Guangdong Province	No commercial value	100	No commercial value
15.	Heping Hotel Building, Chuanfu Street, Heping Road, Luohu District, Shenzhen City, Guangdong Province	19,500,000	100	19,500,000
16.	Levels 1-6 Huanggang Living Area Composite Building, Fuminxinchuan, Fujiang Road, Shenzhen City, Guangdong Province	No commercial value	100	No commercial value
B. Shenzhen Guomao Property Management Co., Ltd.				
17.	Units 8A-F, Guomao Commercial Building, Nanhu Road, Luohu District, Shenzhen City, Guangdong Province	3,857,000	100	3,857,000

APPENDIX IV
PROPERTY VALUATION ON THE ENLARGED GROUP

		Capital value in existing state as at 30 April 2005	Attributable interest to Shenzhen Properties Group	Capital value in existing state as at 30 April 2005 attributable to Shenzhen Properties Group
Property		RMB	%	RMB
C. Hainan Xinda Development Company				
18.	Unit 10D, Longzhu Building, Longkun North Road, Haikou City, Hainan Province	492,000	100	492,000
D. Shenzhen Property Project Development Co., Ltd.				
19.	Levels 1-6, Fenhe Rili Composite Building, Renmin Road, Longhua Town, Shenzhen City, Guangdong Province	No commercial value	100	No commercial value
Sub-total:				426,283,000

Group II — Property interests held for owners’ occupation by Shenzhen Properties Group in the PRC

Property	Capital value in existing state as at 30 April 2005 RMB	Attributable interest to Shenzhen Properties Group %	Capital value in existing state as at 30 April 2005 attributable to Shenzhen Properties Group RMB
A. Shenzhen Properties & Resources Development (Group) Limited			
1. Units A1-01, A1-02 of District A and Units 207, 419 and whole level of B1, 39, 42 of District B, Shenzhen International Trade Center, Renminnan Road, Luohu District, Shenzhen City, Guangdong Province	32,258,000	100	32,258,000
2. Units A-D, H-J, Level 35, Guomao Commercial Building, Nanhu Road, Luohu District, Shenzhen City, Guangdong Province	5,978,000	100	5,978,000
3. Basement Levels 1-2, Fumin Building, Fuminxinchuan, Fujiang Road, Shenzhen City, Guangdong Province	No commercial value	100	No commercial value
4. Level 3, Fuchang Building, Fuminxinchuan, Fujiang Road, Shenzhen City, Guangdong Province	No commercial value	100	No commercial value

APPENDIX IV

PROPERTY VALUATION ON THE ENLARGED GROUP

		Capital value in existing state as at 30 April 2005	Attributable interest to Shenzhen Properties Group	Capital value in existing state as at 30 April 2005 attributable to Shenzhen Properties Group
Property		RMB	%	RMB
B. Shenzhen Guomao Property Management Co., Ltd.				
5.	Level 3, Jiabin Garden, Shennan Road South, Shenzhen City, Guangdong Province	1,864,000	100	1,864,000
C. Chongqing Shenzhen Guomao Property Management Co., Ltd.				
6.	Level 3, Xiya Commercial Building, Chongqing City, Sichuan Province	1,758,000	100	1,758,000
D. Shenzhen Guomao Motor Vehicles Enterprises Co., Ltd.				
7.	Units 2701 and 2702, Huangcheng Plaza Building, Huanggang Road, Futian District, Shenzhen City, Guangdong Province	4,747,000	100	4,747,000
8.	A plot of land and Guomao Petrol Station and a Staff Quarter, North Ring Road, Futian District, Shenzhen City, Guangdong Province	10,000,000	100	10,000,000

APPENDIX IV

PROPERTY VALUATION ON THE ENLARGED GROUP

		Capital value in existing state as at 30 April 2005	Attributable interest to Shenzhen Properties Group	Capital value in existing state as at 30 April 2005 attributable to Shenzhen Properties Group
Property		RMB	%	RMB
E. Hainan Xinda Development Company				
9.	Unit 204, Shengjing Building, Haijing Bay, Yanzao Road, Haikou City, Hainan Province	280,000	100	280,000
10.	Unit 1001, Huajing Yuan, Huafu Road, Hainan Province	No commercial value	100	No commercial value
11.	Unit 501 and Whole Level 1, Xinda Commercial/ Residential Building, Xinda District, No.48 Guomao Avenue, Haikou City, Hainan Province	2,580,000	100	2,580,000
F. Shenzhen Property Project Development Co., Ltd.				
12.	Units 603, 604, Jinfu Building, Longhua Town, Baoan District, Shenzhen City, Guangdong Province	370,000	100	370,000
13.	Fenhe Rili Club House, Renmin Road, Longhua Town, Shenzhen City, Guangdong Province	No commercial value	100	No commercial value

APPENDIX IV

PROPERTY VALUATION ON THE ENLARGED GROUP

		Capital value in existing state as at 30 April 2005	Attributable interest to Shenzhen Properties Group	Capital value in existing state as at 30 April 2005 attributable to Shenzhen Properties Group
Property		RMB	%	RMB
G. Shanghai Shenzhen Property Development Co., Ltd.				
14.	Units 503, 602, 603 of No. 36 and Unit 102 of No. 47, Kangluo Xiaoju, Xuhui District, Shanghai	733,000	100	733,000
15.	Units 501, 502 and an office portion, Jinduerchuan, Lane 3151 Yindu Road Minhang District, Shanghai	No commercial value	100	No commercial value
H. Shum Yip Properties Development Ltd.				
16.	Units 603, 1601 and 1603, No. 215 Zheng Street, Pipashan, Yuzhong District, Chongqing, Sichuan Province	750,000	100	750,000
Sub-total:				61,318,000

Group III — Property interests held for sale by Shenzhen Properties Group in the PRC

Property	Capital value in existing state as at 30 April 2005 RMB	Attributable interest to Shenzhen Properties Group %	Capital value in existing state as at 30 April 2005 attributable to Shenzhen Properties Group RMB
A. Shenzhen Properties & Resources Development (Group) Limited			
1. 42 unsold units on Levels 2-5, Guomao Plaza, Renminnan Road, Luohu District, Shenzhen City, Guangdong Province	63,387,000	100	63,387,000
2. Units 203, 204, Block 3, Yinlong Garden, Shenzhen City, Guangdong Province	No commercial value	100	No commercial value
3. Unit 2I, Block A10, Nanshui District, Shekou City, Guangdong Province	271,000	100	271,000
4. Units A4 of Levels 9-12 and Units B4 of Levels 7, 9-11, Rihao Mingyuan, No. 17 Baoannan Road, Luohu District, Shenzhen City, Guangdong Province	1,849,000	100	1,849,000
5. The unsold residential units of Shidaixinju, Fujiang Road, Shenzhen City, Guangdong Province	No commercial value	100	No commercial value

APPENDIX IV

PROPERTY VALUATION ON THE ENLARGED GROUP

		Capital value in existing state as at 30 April 2005	Attributable interest to Shenzhen Properties Group	Capital value in existing state as at 30 April 2005 attributable to Shenzhen Properties Group
	Property	RMB	%	RMB
6.	The unsold portion of Junfeng Lishe Garden, Longzhu Avenue, Nanshan District, Shenzhen City, Guangdong Province	305,483,000	100	305,483,000
7.	7 unsold units of Fumin Building, Fujiang Road, Futian District, Shenzhen City, Guangdong Province	No commercial value	100	No commercial value
B. Hainan Xinda Development Company				
8.	15 Shops on Level 1, Whole Levels 2 and 3 and 47 Carparks, Xinda Commercial Building, Xinda District, No.48 Guomao Avenue, Haikou City, Hainan Province	22,336,000	100	22,336,000
C. Shanghai Shenzhen Property Development Co., Ltd.				
9.	The unsold portion of Phase I-V of Shanghai Pastoral City, Lane 3151, Yindu Road, Minghang District, Shanghai	No commercial value	100	No commercial value

APPENDIX IV

PROPERTY VALUATION ON THE ENLARGED GROUP

		Capital value in existing state as at 30 April 2005	Attributable interest to Shenzhen Properties Group	Capital value in existing state as at 30 April 2005 attributable to Shenzhen Properties Group
Property		RMB	%	RMB
D. Shenzhen Property Project Development Co., Ltd.				
10.	The unsold portion of Phase I of Fengrun Garden, Renmin Road, Longhua Town, Shenzhen City, Guangdong Province	No commercial value	100	No commercial value
11.	The unsold portion of Fenghe Rili, Renmin Road, Longhua Town, Shenzhen City, Guangdong Province	No commercial value	100	No commercial value
E. Shenzhen Huangcheng Real Estate Co., Ltd.				
12.	The unsold office units of the Office Building, the unsold shop units of the Commercial Podium, Huangcheng Plaza, Huanggang Road, Futian District, Shenzhen City, Guangdong Province, The People’s Republic of China	197,389,000	100	197,389,000
13.	The unsold residential units of the Residential Buildings, the unsold shop units of the Commercial Podium, District A of Huangyu Yuan, Huanggang Road, Futian District, Shenzhen City, Guangdong Province	60,980,000	100	60,980,000

APPENDIX IV

PROPERTY VALUATION ON THE ENLARGED GROUP

		Capital value in existing state as at 30 April 2005 attributable to Shenzhen Properties Group <i>RMB</i>	Attributable interest to Shenzhen Properties Group %	Capital value in existing state as at 30 April 2005 attributable to Shenzhen Properties Group <i>RMB</i>
Property	Capital value in existing state as at 30 April 2005 <i>RMB</i>			
14. The unsold residential units of the Residential Buildings, District B of Huangyu Yuan, Huanggang Road, Futian District, Shenzhen City, Guangdong Province	161,829,000		100	161,829,000
Sub-total:				813,524,000

Group IV — Property interests held under development by Shenzhen Properties Group in the PRC

Property	Capital value in existing state as at 30 April 2005 RMB	Attributable interest to Shenzhen Properties Group %	Capital value in existing state as at 30 April 2005 attributable to Shenzhen Properties Group RMB
A. Shenzhen Properties & Resources Development (Group) Limited			
1. Phase II of Fuchang Building, Fujian Road, Futian District, Shenzhen City, Guangdong Province	No commercial value	100	No commercial value
B. Shenzhen Property Project Development Co., Ltd.			
2. Group B of Fenghe Rili, Renmin Road, Longhua Town, Shenzhen City, Guangdong Province	70,990,000	100	70,990,000
C. Shenzhen Huangcheng Real Estate Co., Ltd.			
3. Lot A, District C of Huangyu Yuan, Fuhua Road Huanggang Port Futian District, Shenzhen City, Guangdong Province	96,900,000	100	96,900,000
3a. Lot B, District C of Huangyu Yuan, Fuhua Road Huanggang Port Futian District, Shenzhen City, Guangdong Province	142,760,000	100	142,760,000
Sub-total:			310,650,000

Group V —

Property interests held for future development by Shenzhen Properties Group in the PRC

Property		Capital value in existing state as at 30 April 2005 <i>RMB</i>	Attributable interest to Shenzhen Properties Group <i>%</i>	Capital value in existing state as at 30 April 2005 attributable to Shenzhen Properties Group <i>RMB</i>
A. Shenzhen Properties & Resources Development (Group) Limited				
1.	A plot of land situated at Caitian Road North, Futian District, Shenzhen City, Guangdong Province	No commercial value	100	No commercial value
2.	A plot of land situated at Pinghu Village, Pinghu Town, Baoan District, Shenzhen City, Guangdong Province	2,400,000	100	2,400,000
3.	A plot of land situated at Shenhui Garden, Shijiaoxia, Danshui Town, Huiyang District, Shenzhen City, Guangdong Province	6,500,000	100	6,500,000
B. Hainan Xinda Development Company				
4.	A plot of land situated at Haidian Island Eastern Development Zone, Haikou City, Hainan Province	18,000,000	100	18,000,000

APPENDIX IV

PROPERTY VALUATION ON THE ENLARGED GROUP

		Capital value in existing state as at 30 April 2005	Attributable interest to Shenzhen Properties Group	Capital value in existing state as at 30 April 2005 attributable to Shenzhen Properties Group
Property		RMB	%	RMB
C. Shenzhen Huangcheng Real Estate Co., Ltd.				
5.	District E of Huangyu Yuan, Huanggang Road/Beihe Road, Huanggang Port, Huanggang District, Shenzhen City, Guangdong Province	114,200,000	100	114,200,000
5a.	District D of Huangyu Yuan, Fuhua Road, Huanggang Port, Futian District, Shenzhen City, Guangdong Province	233,700,000	100	233,700,000
			Sub-total:	374,800,000

Group VI — Property interests held by Shenzhen Properties Group in Hong Kong

Property	Capital value in existing state as at 30 April 2005 <i>RMB</i>	Attributable interest to Shenzhen Properties Group <i>%</i>	Capital value in existing state as at 30 April 2005 attributable to Shenzhen Properties Group <i>RMB</i>
1. Lot No. 92, the Remaining Portion of Lot No. 382, Extension to Lot No. 382 and the Remaining Portion of Lot No. 440 in Demarcation District No. 399, Ting Kau, Tsuen Wan, New Territories	24,380,000	100	24,380,000

APPENDIX IV
PROPERTY VALUATION ON THE ENLARGED GROUP

Property		Capital value in existing state as at 30 April 2005 <i>RMB</i>	Attributable interest to Shenzhen Properties Group %	Capital value in existing state as at 30 April 2005 attributable to Shenzhen Properties Group <i>RMB</i>
2.	Offices Nos. 1, 2 and 12 on 7th Floor, K.Wah Centre, 191 Java Road, North Point, Hong Kong	12,508,000	100	12,508,000
3.	Flat B on 17th Floor, Block 1, Roca Centre, 460-470 King’s Road, 12-18 Shu Kuk Street, North Point, Hong Kong	3,657,000	100	3,657,000
Sub-total:				40,545,000
Grand Total:				2,027,120,000

VALUATION CERTIFICATE

Group I — Property interests held for investment by Shenzhen Properties Group in the PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2005											
1. Levels 1-5, District A, Shenzhen International Trade Center, Renminnan Road, Luohu District, Shenzhen City, Guangdong Province	<p>Shenzhen International Trade Center is a 53-storey composite office/commercial building consists of 2 sub-districts, namely District A and B and erected on a site area of approximately 20,162.20 sq.m. (217,026 sq.ft.), comprising a total gross floor area of 104,278 sq.m. (1,122,448 sq.ft.) completed in 1986.</p> <p>The property comprises levels 1-5 of District A of Shenzhen International Trade Center with a total gross floor area as follows:</p>	<p>The property with a gross floor area of 22,113.01 sq.m. (238,025 sq.ft.) is currently leased to various tenants at a total monthly rent of RMB1,622,352.04 with the latest expiry in 2013.</p>	RMB182,522,000											
	<table><tr><th rowspan="2">Portion</th><th colspan="2">Approximate Gross Floor Area</th></tr><tr><th>sq.m.</th><th>sq.ft.</th></tr><tr><td>Commercial Office</td><td>22,101.51 11.50</td><td>237,901 124</td></tr><tr><td></td><td><u>22,113.01</u></td><td><u>238,025</u></td></tr></table>	Portion	Approximate Gross Floor Area		sq.m.	sq.ft.	Commercial Office	22,101.51 11.50	237,901 124		<u>22,113.01</u>	<u>238,025</u>		
Portion	Approximate Gross Floor Area													
	sq.m.	sq.ft.												
Commercial Office	22,101.51 11.50	237,901 124												
	<u>22,113.01</u>	<u>238,025</u>												
	<p>The land use rights of the property has been granted for a term of 50 years due to expire on 1 June 2031 for composite use.</p>													

Notes:

- (1) According to 5 Real Estate Title Certificates, the land use rights and legal title of the property, comprising a total gross floor area of 22,113.01 sq.m., has been granted to Shenzhen Properties & Resources Development (Group) Limited for a term of 50 years due to expire on 1 June 2031 for composite use. Details are summarized as follows:

Certificate No.	Level	Gross Floor Area sq.m.
0216446	L1	4,261.15
0216451	L2	5,778.40
0216458	L3	5,739.34
0216461	L4	5,049.50
0216465	L5	1,284.62
Total:		<u>22,113.01</u>

- (2)

According to Business Licence No. 4403011027229, Shenzhen Properties & Resources Development (Group) Limited, a company listed on the Shenzhen Stock Exchange, was established with a registered capital of RMB541,799,175.
- (3)

According to the legal opinion of the PRC lawyer, Guangdong Yeasun Law Firm:

(i)

Shenzhen Properties & Resources Development (Group) Limited is in possession of proper legal title and has obtained the building ownership rights of the property with a total gross floor area of 22,113.01 sq.m. for composite use.

(ii)

Shenzhen Properties & Resources Development (Group) Limited is entitled to occupy, use and handle the property and has the capacity to sell the property.

(iii)

Portion of the property is subject to encumbrances. Portion of the property with a gross floor area of 17,851,86 sq.m. is subject to mortgage. Before the release of the mortgage, the property cannot be transferred and leased to third parties without the consent of the mortgagee. The remaining portion of the property is free from encumbrances and can be freely transferred, leased or mortgaged.
- (4)

The status of title and grant of major approvals and licences in accordance with the PRC legal opinion and information provided by the Group are as follows:

Real Estate Title Certificate	Yes
Red-line Drawing	Yes
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION ON THE ENLARGED GROUP

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2005														
2. Portion of Levels 1-4 and whole Level 16, 20, 48 and 49, District B, Shenzhen International Trade Center, Renminnan Road, Luohu District, Shenzhen City, Guangdong Province	<p>Shenzhen International Trade Center is a 53-storey composite office/commercial building consists of 2 sub-districts, namely District A and B and erected on a site with a site area of approximately. 20,162.20 sq.m. (217,026 sq.ft.), comprising a total gross floor area of 104,278 sq.m. (1,122,448 sq.ft.) completed in 1986.</p> <p>The property comprises 13 units on Level 1-4 and whole Level 16, 20, 48 and 49 of District B of Shenzhen International Trade Center with a total gross floor area as follows:</p> <table><tr><th rowspan="2">Portion</th><th colspan="2">Approximate Gross Floor Area</th></tr><tr><th>sq.m.</th><th>sq.ft.</th></tr><tr><td>Commercial</td><td>1,891.87</td><td>20,364</td></tr><tr><td>Office</td><td>6,461.76</td><td>69,549</td></tr><tr><td></td><td><u>8,353.63</u></td><td><u>89,913</u></td></tr></table> <p>The land use rights of the property has been granted for a term of 50 years due to expire on 1 June 2031 for composite use.</p>	Portion	Approximate Gross Floor Area		sq.m.	sq.ft.	Commercial	1,891.87	20,364	Office	6,461.76	69,549		<u>8,353.63</u>	<u>89,913</u>	<p>Portion of the office with a gross floor area of 4,256.66 sq.m. (45,819 sq.ft.) is currently leased to various tenants at a total monthly rent of RMB240,519.00 with the latest expiry in 2009.</p> <p>The remaining office portion and the commercial portion are vacant.</p>	RMB52,138,000
Portion	Approximate Gross Floor Area																
	sq.m.	sq.ft.															
Commercial	1,891.87	20,364															
Office	6,461.76	69,549															
	<u>8,353.63</u>	<u>89,913</u>															

Notes:

- (1)
- According to 17 Real Estate Title Certificates, the land use rights and legal title of the property, comprising a total gross floor area of 8,353.63 sq.m., has been granted to Shenzhen Properties & Resources Development (Group) Limited for a term of 50 years due to expire on 1 June 2031 for composite use. Details are summarized as follows:

Certificate No.	Level	Gross Floor Area sq.m.
0216447	L1-02	192.87
0216448	L1-03	192.01
0216449	L1-06	293.05
0216450	L1-07	190.86
0216452	L2-06	165.35
0216454	L2-13	203.88

APPENDIX IV

PROPERTY VALUATION ON THE ENLARGED GROUP

Certificate No.	Level	Gross Floor Area <i>sq.m.</i>
0216455	L2-14	127.97
0216456	L2-19	251.31
0216457	L2-21	132.29
0216459	L3-05	337.65
0216460	L3-11	326.90
0216462	L4-05	731.96
0216464	L4-20	204.98
0216466	L16	1555.34
2000116838	L20	1555.34
0216469	L48	738.29
0216470	L49	1153.58
Total:		8,353.63

(2)

According to Business Licence No. 4403011027229, Shenzhen Properties & Resources Development (Group) Limited, a company listed on the Shenzhen Stock Exchange, was established with a registered capital of RMB541,799,175.

(3)

According to the legal opinion of the PRC lawyer, Guangdong Yeasun Law Firm:

(i)

Shenzhen Properties & Resources Development (Group) Limited is in possession of proper legal title and has obtained the building ownership rights of the property with a total gross floor area of 8,353.63 sq.m. for composite use.

(ii)

Shenzhen Properties & Resources Development (Group) Limited is entitled to occupy, use and handle the property and has the capacity to sell the property.

(iii)

The property is subject to encumbrances. The property is subject to mortgage. Before the release of the mortgage, the property cannot be transferred and leased to third parties without the consent of the mortgagee.

(4)

The status of title and grant of major approvals and licences in accordance with the PRC legal opinion and information provided by the Group are as follows:

Real Estate Title Certificate	Yes
Red-line Drawing	Yes
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION ON THE ENLARGED GROUP

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2005
3. 114 units of Guomao Commercial Building, Nanhu Road, Luohu District, Shenzhen City, Guangdong Province	<p>Guomao Commercial Building is a 37-storey office building erected on a site with a site area of approximately 1,964 sq.m. (21,140 sq.ft.), comprising a total gross floor area of 52,600 sq.m. (566,186 sq.ft.) completed in 1997.</p> <p>The property comprises 114 office units of Guomao Commercial Building with a total gross floor area of 14,363.01 sq.m. (154,603 sq.ft.).</p> <p>The land use rights of the property has been granted for a term of 50 years due to expire on 7 January 2043 for office/commercial/composite uses.</p>	<p>Portion of the property with a gross floor area of 8,005.46 sq.m. (86,171 sq.ft.) is currently leased to various tenants at a total monthly rent of RMB400,353.92 with the latest expiry in 2007.</p> <p>The remaining portion is currently vacant.</p>	RMB86,852,000

Notes:

(1) The property comprises the following units:

Unit	No. of Units	Gross Floor Area sq.m.
206, 208, 218	3	165.07
301, 303, 308, 311, 312, 314-323	15	591.80
4A-I	9	910.46
5A-N, 5P	15	1,592.64
6F-G	2	327.01
8I	1	133.96
9D-G	4	583.73
10A-F	6	800.40
11G*	1	182.72
11H-J	3	497.70
14B*	1	86.45
16D*-E*	2	225.15
16F-J	5	824.71
17F-J	5	824.71
18E-G	3	478.11
20I-J	2	321.95
21A	1	144.29
22D-G, 22J	5	771.72
25F-G	2	327.01
26F-H	3	502.76
27D-H, 27J	6	947.47
28E-F	2	295.39
29E-H	4	653.86
32A-D, 32H-J	7	1,086.97
34A-D, 32H-J	7	1,086.97
Total:	114	14,363.01

* These units with total gross floor area of 494.32 sq.m. are subject to seizure. We have not assigned value to these units.

- (2)

According to 114 Real Estate Title Certificate, the land use rights and legal title of the property, comprising a total gross floor area of 14,363.01 sq.m., has been granted to Shenzhen Properties & Resources Development (Group) Limited for a term of 50 years due to expire on 7 January 2043 for office/commercial/composite uses.
- (3)

According to Business Licence No.4403011027229, Shenzhen Properties & Resources Development (Group) Limited, a company listed on the Shenzhen Stock Exchange, was established with a registered capital of RMB541,799,175.
- (4)

According to the legal opinion of the PRC lawyer, Guangdong Yeasun Law Firm:

(i)

Shenzhen Properties & Resources Development (Group) Limited is in possession of proper legal title and has obtained the building ownership rights of the property with a total gross floor area of 14,363.01 sq.m. for office/commercial/composite uses.

(ii)

Portion of the property is subject to encumbrances. Portion of the property with a total gross floor area of 4,828.03 sq.m. is subject to mortgage. Before the release of the mortgage, the property cannot be transferred and leased to third parties without the consent of the mortgagee. Portion of property with a gross floor area of 494.32 sq.m. is subject to seizure and cannot be mortgaged, leased and transferred to third parties. The remaining portion of the property can be mortgaged, leased and transferred to third parties.
- (5)

The status of title and grant of major approvals and licences in accordance with the PRC legal opinion and information provided by the Group are as follows:

Real Estate Title Certificate	Yes (partly)
Red-line Drawing	Yes
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION ON THE ENLARGED GROUP

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2005
4. Units 1901-1908, Level 19, Block A, Tianan International Building, Renminnan Road, Luohu District, Shenzhen City, Guangdong Province	<p>Tianan International Building is a 34-storey office building erected on a site with a site area of 6,190.00 sq.m. (66,636 sq.ft.), comprising a total gross floor area of 91,000 sq.m. (979,524 sq.ft.) completed in 1993.</p> <p>The property comprises 8 units on level 19 of Tianan International Building with a total gross floor area of 832.20 sq.m. (8,958 sq.ft.).</p> <p>The land use rights of the property has been granted for a term of 50 years due to expire on 17 December 2041 for office use.</p>	<p>Portion of the property with a gross floor area of 207.90 sq.m. (2,238 sq.ft.) is currently leased to various tenants at a total monthly rent of RMB8,316.00 with the latest expiry in 2005.</p> <p>The remaining portion is currently vacant.</p>	RMB5,000,000

Notes:

- (1)

According to Real Estate Title Certificate No. 0059743, the land use rights and legal title of the property, comprising a total gross floor area of 832.20 sq.m., has been granted to Shenzhen Properties & Resources Development (Group) Limited for a term of 50 years due to expire on 17 December 2041 for office use.
- (2)

According to Business Licence No.4403011027229, Shenzhen Properties & Resources Development (Group) Limited, a company listed on the Shenzhen Stock Exchange, was established with a registered capital of RMB541,799,175.
- (3)

According to the legal opinion of the PRC lawyer, Guangdong Yeasun Law Firm:

(i)

Shenzhen Properties & Resources Development (Group) Limited is in possession of proper legal title and has obtained the building ownership rights of the property with a total gross floor area of 832.20 sq.m. for office use.

(ii)

Shenzhen Properties & Resources Development (Group) Limited is entitled to occupy, use and handle the property and has the capacity to sell the property.

(iii)

The property is subject to encumbrances. The property is subject to mortgage. Before the release of the mortgage, the property cannot be transferred and leased to third parties without the consent of the mortgagee.
- (4)

The status of title and grant of major approvals and licences in accordance with the PRC legal opinion and information provided by the Group are as follows:

Real Estate Title Certificate

Yes

Red-line Drawing

Yes

Business Licence

Yes

APPENDIX IV

PROPERTY VALUATION ON THE ENLARGED GROUP

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2005
5. 16 units on Level 2-5 of Guomao Commercial/Residential Building, Nanhu Road, Luohu District, Shenzhen City, Guangdong Province	<p>Guomao Commercial/Residential Building is a 25-storey commercial/residential building erected on a site with a site area of 1,592.40 sq.m. (17,141 sq.ft.), comprising a total gross floor area of 24,233.14 sq.m. (260,738 sq.ft.) completed in 1990.</p> <p>The property comprises 16 units on level 2-5 of Guomao Commercial/Residential Building with a gross floor area of 2,011.89 sq.m. (21,656 sq.ft.).</p> <p>The land use rights of the property has been granted for a term of 50 years due to expire on 22 October 2035 for commercial/residential uses.</p>	<p>Portion of the property with a gross floor area of 1,659.23 sq.m. (17,860 sq.ft.) is currently leased to various tenants at a total monthly rent of RMB33,048.00 with the latest expiry in 2008.</p> <p>The remaining portion is currently vacant.</p>	RMB7,542,000

Notes:

- (1)
- According to 16 Real Estate Title Certificates, the land use rights and legal title of the property, comprising a total gross floor area of 2,011.89 sq.m., has been granted to Shenzhen Properties & Resources Development (Group) Limited for a term of 50 years from 23 October 1985 to 22 October 2035 for commercial/residential uses. Details are summarized as follows:

Certificate No.	Unit	Gross Floor Area <i>sq.m.</i>
4248109	2B	101.17
4248199	2C	101.17
4248133	2D	150.32
4248189	2E	150.32
4248099	3B	101.17
4248196	3C	101.17
4248118	3D	150.31
4248132	3E	150.32
4248105	4B*	101.17
4248192	4C	101.17
4248138	4D	150.31
4248137	4E	150.31
4225551	5B	101.17
4248113	5C	101.17
2000022249	5D	150.32
2000022260	5E	150.32
Total:		2,011.89

* Unit 4B is subject to seizure. We have not assigned value to this unit.

- (2)

According to Business Licence No. 4403011027229, Shenzhen Properties & Resources Development (Group) Limited, a company listed on the Shenzhen Stock Exchange, was established with a registered capital of RMB541,799,175.
- (3)

According to the legal opinion of the PRC lawyer, Guangdong Yeasun Law Firm:

(i)

Shenzhen Properties & Resources Development (Group) Limited is in possession of proper legal title and has obtained the building ownership rights of the property with a total gross floor area of 2,011.89 sq.m. for commercial/residential uses.

(ii)

Portion of the property with a gross floor area of 101.17 sq.m. is under seizure and cannot be mortgaged, leased and transferred to third parties. The remaining portion of the property with a gross floor area of 1,910.72 sq.m. is free from encumbrances and is free from mortgage. Shenzhen Properties & Resources Development (Group) Limited is entitled to occupy, use, handle, mortgage, lease and transfer this portion of the property to third parties.
- (4)

The status of title and grant of major approvals and licences in accordance with the PRC legal opinion and information provided by the Group are as follows:

Real Estate Title Certificate	Yes
Red-line Drawing	Yes
Business Licence	Yes

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2005																			
6. Meilin Factory and Meilin Composite Building, Meihua Road, Shangmeilin, Futian District, Shenzhen City, Guangdong Province	<p>The property comprises a 5-storey factory and a 7-storey composite building erected on a site with a site area of 11,500 sq.m. (123,786 sq.ft.), comprising a total gross floor area of 15,296.91 sq.m. (164,656 sq.ft.) completed in 1993 with details as follows:</p> <table><tr><th>Portion</th><th colspan="2">Approximate Gross Floor Area</th><td></td></tr><tr><td></td><td>sq.m.</td><td>sq.ft.</td><td></td></tr><tr><td>Factory</td><td>6,818.96</td><td>73,399</td><td rowspan="2">The remaining portion is currently vacant.</td></tr><tr><td>Composite Building</td><td>8,477.95</td><td>91,257</td></tr><tr><td></td><td><u>15,296.91</u></td><td><u>164,656</u></td><td></td></tr></table>	Portion	Approximate Gross Floor Area				sq.m.	sq.ft.		Factory	6,818.96	73,399	The remaining portion is currently vacant.	Composite Building	8,477.95	91,257		<u>15,296.91</u>	<u>164,656</u>		<p>Portion of the property with a gross floor area of 13,051.85 sq.m. (140,490 sq.ft.) is currently leased to various tenants at a total monthly rent of RMB460,875.35 with the latest expiry in 2008.</p>	RMB35,739,000
Portion	Approximate Gross Floor Area																					
	sq.m.	sq.ft.																				
Factory	6,818.96	73,399	The remaining portion is currently vacant.																			
Composite Building	8,477.95	91,257																				
	<u>15,296.91</u>	<u>164,656</u>																				

The land use rights of the property has been granted for a term of 50 years due to expire on 28 November 2039 for industrial and composite uses.

Notes:

- (1) According to 2 Real Estate Title Certificates Nos. 3000320987 and 3000119899 dated 25 March 2005 and 25 June 2002 respectively, the land use rights and legal title of the property, comprising a total gross floor area of 15,296.91 sq.m., has been granted to Shenzhen Properties & Resources Development (Group) Limited for a term of 50 years from 29 November 1989 to 28 November 2039 for industrial and composite uses.
- (2) According to Business Licence No. 4403011027229, Shenzhen Properties & Resources Development (Group) Limited, a company listed on the Shenzhen Stock Exchange, was established with a registered capital of RMB541,799,175.
- (3) According to the legal opinion of the PRC lawyer, Guangdong Yeasun Law Firm:

(i) Shenzhen Properties & Resources Development (Group) Limited is in possession of proper legal title and has obtained the building ownership rights of the property with a total gross floor area of 15,296.91 sq.m. for industrial and composite uses.

(ii) Shenzhen Properties & Resources Development (Group) Limited is entitled to occupy, use and handle the property. Shenzhen Properties & Resources Development (Group) Limited is entitled to mortgage, lease and transfer the Factory to third parties, but the transfer of the Composite Building is subject to the payment of land premium determined by the government.

(4) The status of title and grant of major approvals and licences in accordance with the PRC legal opinion and information provided by the Group are as follows:

Real Estate Title Certificate	Yes
Red-line Drawing	Yes
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION ON THE ENLARGED GROUP

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2005
7. Chuanbu Street Staff Quarter, Chuanbu Street, Heping Road, Luohu District, Shenzhen City, Guangdong Province	<p>The property comprises a 7-storey building erected on a site with a site area of 7,741 sq.m. (83,324 sq.ft.), comprising a total gross floor area of 5,949.20 sq.m. (64,037 sq.ft.) completed in 1990.</p> <p>The land use rights of the property has been granted for a term due to expire on 31 December 2019 and 31 December 2039 for residential use.</p>	<p>Portion of the property with a gross floor area of 3,765.08 sq.m. (40,527 sq.ft.) is currently leased to various tenants at a total monthly rent of RMB58,156.60 with the latest expiry in 2007.</p> <p>The remaining portion is currently vacant.</p>	RMB19,437,000

Notes:

- (1)

According to 3 Real Estate Title Certificates Nos. 0217928, 0217926 and 0217927, the land use rights and legal title of the property, comprising a total gross floor area of 5,949.20 sq.m., has been granted to Shenzhen Properties & Resources Development (Group) Limited for a term due to expire on 31 December 2019 and 31 December 2039 for residential use.
- (2)

According to Business Licence No. 4403011027229, Shenzhen Properties & Resources Development (Group) Limited, a company listed on the Shenzhen Stock Exchange, was established with a registered capital of RMB541,799,175.
- (3)

According to the legal opinion of the PRC lawyer, Guangdong Yeasun Law Firm:

(i)

Shenzhen Properties & Resources Development (Group) Limited is in possession of proper legal title and has obtained the building ownership rights of the property with a total gross floor area of 5,949.20 sq.m. for residential use.

(ii)

Shenzhen Properties & Resources Development (Group) Limited is entitled to occupy, use and handle the property and has the capacity to sell the property.

(iii)

Portion of the property is subject to encumbrances. A portion of the property with a gross floor area of 3,995.64 sq.m. is subject to a mortgage. Before the release of the mortgage, the property cannot be transferred and leased to third parties without the consent of the mortgagee. The remaining portion of the property is free from mortgage and can be mortgaged, leased and transferred to third parties.
- (4)

The status of title and grant of major approvals and licences in accordance with the PRC legal opinion and information provided by the Group are as follows:

Real Estate Title Certificate

Yes

Red-line Drawing

Yes

Business Licence

Yes

APPENDIX IV

PROPERTY VALUATION ON THE ENLARGED GROUP

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2005
8. Hepingxinju Shop, Chuanbu Street, Heping Road, Luohu District, Shenzhen City, Guangdong Province	<p>The property comprises level 1 shop in Hepingxinju erected on a site with a site area of 7,741 sq.m. (83,324 sq.ft.), comprising a total gross floor area of 1,069.80 sq.m. (11,515 sq.ft.) completed in 1990.</p> <p>The land use rights of the property has been granted for a term of 50 years due to expire on 31 December 2039 for residential/commercial uses.</p>	<p>Portion of the property with a gross floor area of 816.40 sq.m. (8,788 sq.ft.) is currently leased to various tenants at a total monthly rent of RMB13,721.00 with the latest expiry in 2007.</p> <p>The remaining portion is currently vacant.</p>	RMB3,759,000

Notes:

- (1) According to 9 Real Estate Title Certificates, the land use rights and legal title of the property, comprising a total gross floor area of 1,069.80 sq.m., has been granted to Shenzhen Properties & Resources Development (Group) Limited for a term of 50 years due to expire on 31 December 2039 for residential/commercial uses. Details are summarized as follows:

Certificate No.	Location	Gross Floor Area sq.m.
0217925	Hepingxinju Shop	892.78
2000116673, 2000116988-90 2000116992-94, 2000169511	Hepingxinju Commodity Market	177.02
Total:		1,069.80

- (2) According to Business Licence No. 4403011027229, Shenzhen Properties & Resources Development (Group) Limited, a company listed on the Shenzhen Stock Exchange, was established with a registered capital of RMB541,799,175.
- (3) According to the legal opinion of the PRC lawyer, Guangdong Yeasun Law Firm:
- (i) Shenzhen Properties & Resources Development (Group) Limited is in possession of proper legal title and has obtained the building ownership rights of the property with a total gross floor area of 1,069.80 sq.m. for residential/commercial uses.
- (ii) Shenzhen Properties & Resources Development (Group) Limited is entitled to occupy, use and handle the property and has the capacity to sell the property.
- (iii) Portion of the property is subject to encumbrances. A portion of the property with a gross floor area of 892.78 sq.m. is subject to a mortgage. Before the release of the mortgage, this portion of the property cannot be transferred and leased to third parties without the consent of the mortgagee. The remaining portion of the property is free from mortgage and can be mortgaged, leased and transferred to third parties.

(4) The status of title and grant of major approvals and licences in accordance with the PRC legal opinion and information provided by the Group are as follows:

Real Estate Title Certificate	Yes
Red-line Drawing	Yes
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION ON THE ENLARGED GROUP

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2005																		
9. Yingchun Road Electricity Station, Yingchun Road, Luohu District, Shenzhen City, Guangdong Province	<p>The property comprises a 6-storey building comprising a total gross floor area of 1,949.31 sq.m. (20,981 sq.ft.) completed in 1990s with details as follows:</p> <table><tr><th>Portion</th><th colspan="2">Approximate Gross Floor Area</th></tr><tr><td></td><th>sq.m.</th><th>sq.ft.</th></tr><tr><td>Commercial</td><td>671.91</td><td>7,232</td></tr><tr><td>Office</td><td>958.05</td><td>10,312</td></tr><tr><td>Staff quarter</td><td>319.35</td><td>3,437</td></tr><tr><td></td><td><u>1,949.31</u></td><td><u>20,981</u></td></tr></table> <p>The land use rights of the property has been granted for an unspecified term for composite use.</p>	Portion	Approximate Gross Floor Area			sq.m.	sq.ft.	Commercial	671.91	7,232	Office	958.05	10,312	Staff quarter	319.35	3,437		<u>1,949.31</u>	<u>20,981</u>	<p>The commercial, staff quarter portion and portion of the office of the property with a gross floor area of 1,629.96 sq.m. (17,545 sq.ft.) is currently leased to various tenants at a total monthly rent of RMB57,290.25 with the latest expiry in 2006.</p> <p>The remaining office portion with a gross floor area of 638.70 sq.m. is vacant.</p>	No commercial value
Portion	Approximate Gross Floor Area																				
	sq.m.	sq.ft.																			
Commercial	671.91	7,232																			
Office	958.05	10,312																			
Staff quarter	319.35	3,437																			
	<u>1,949.31</u>	<u>20,981</u>																			

Notes:

- (1)

Shenzhen Properties & Resources Development (Group) Limited has not obtained proper title documents for the property.
- (2)

According to Business Licence No. 4403011027229, Shenzhen Properties & Resources Development (Group) Limited, a company listed on the Shenzhen Stock Exchange, was established with a registered capital of RMB541,799,175.
- (3)

According to the legal opinion of the PRC lawyer, Guangdong Yeasun Law Firm:

(i)

Shenzhen Properties & Resources Development (Group) Limited is not in possession of proper legal title and has not obtained the building ownership rights of the property with a total gross floor area of 1,949.31 sq.m. for composite use.

(ii)

Shenzhen Properties & Resources Development (Group) Limited is not entitled to transfer the property to third parties.
- (4)

The status of title and grant of major approvals and licences in accordance with the PRC legal opinion and information provided by the Group are as follows:

Real Estate Title Certificate	No
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION ON THE ENLARGED GROUP

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2005
10. Level 1, Block 1, Hongling Building, Hongling Road, Futian District, Shenzhen City, Guangdong Province	<p>Block 1 of Hongling building is a 28-storey office building erected on a site with a site area of 11,670.43 sq.m. (125,621 sq.ft.), comprising a total gross floor area of 86,628.57 sq.m. (932,470 sq.ft.) completed in 1986.</p> <p>The property comprises level 1 of block 1 of Hongling building with a total gross floor area of 34.94 sq.m. (376 sq.ft.).</p> <p>The land use rights of the property has been granted for a term of 50 years due to expire on 20 September 2032 for commercial use.</p>	<p>The property with a gross floor area of 34.94 sq.m. (376 sq.ft.) is currently leased to a tenant at a monthly rent of RMB1,250 with the latest expiry in 2006.</p>	No commercial value

Notes:

- (1)

Shenzhen Properties & Resources Development (Group) Limited has not obtained proper title documents for the property.
- (2)

According to Business Licence No. 4403011027229, Shenzhen Properties & Resources Development (Group) Limited, a company listed on the Shenzhen Stock Exchange, was established with a registered capital of RMB541,799,175.
- (3)

According to the legal opinion of the PRC lawyer, Guangdong Yeasun Law Firm:

(i)

Shenzhen Properties & Resources Development (Group) Limited is not in possession of proper legal title and has not obtained the building ownership rights of the property with a total gross floor area of 34.94 sq.m. for commercial use.

(ii)

Shenzhen Properties & Resources Development (Group) Limited is not entitled to transfer the property to third parties.
- (4)

The status of title and grant of major approvals and licences in accordance with the PRC legal opinion and information provided by the Group are as follows:

Real Estate Title Certificate	No
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION ON THE ENLARGED GROUP

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2005
11. Baqualing Staff Quarter, Baqualing, Futian District, Shenzhen City, Guangdong Province	<p>The property comprises a multi-storey staff quarter building with a total gross floor area of 829.54 sq.m. (8,929 sq.ft.) completed in 1990s.</p> <p>The land use rights of the property has been granted for an unspecified term for staff quarter use.</p>	The property is currently vacant.	No commercial value

Notes :

- (1)

Shenzhen Properties & Resources Development (Group) Limited has not obtained proper title documents for the property.
- (2)

According to Business Licence No.4403011027229, Shenzhen Properties & Resources Development (Group) Limited, a company listed on the Shenzhen Stock Exchange, was established with a registered capital of RMB541,799,175.
- (3)

According to the legal opinion of the PRC lawyer, Guangdong Yeasun Law Firm:

(i)

Shenzhen Properties & Resources Development (Group) Limited is not in possession of proper legal title and has not obtained the building ownership rights of the property.

(ii)

Shenzhen Properties & Resources Development (Group) Limited is not entitled to transfer the property to third parties.
- (4)

The status of title and grant of major approvals and licences in accordance with the PRC legal opinion and information provided by the Group are as follows:

Real Estate Title Certificate

No

Business Licence

Yes

APPENDIX IV

PROPERTY VALUATION ON THE ENLARGED GROUP

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2005
12. Level 3, Block 144, Shazui Industrial Factory, Shazui Industrial District, Futian District, Shenzhen City, Guangdong Province	<p>The property comprises a 3-storey factory building comprising a total gross floor area of 675.00 sq.m. (7,266 sq.ft.) completed in 1990s.</p> <p>The land use rights of the property has been granted for an unspecified term for industrial use.</p>	<p>The property with a gross floor area of 675 sq.m. (7,266 sq.ft.) is leased at a monthly rent of RMB8,984.00.</p>	No commercial value

Notes:

- (1)

Shenzhen Properties & Resources Development (Group) Limited has not obtained proper title documents for the property.
- (2)

According to Business Licence No. 4403011027229, Shenzhen Properties & Resources Development (Group) Limited, a company listed on the Shenzhen Stock Exchange, was established with a registered capital of RMB541,799,175.
- (3)

According to the legal opinion of the PRC lawyer, Guangdong Yeasun Law Firm:

(i)

Shenzhen Properties & Resources Development (Group) Limited is not in possession of proper legal title and has not obtained the building ownership rights of the property with a total gross floor area of 675 sq.m. for industrial use.

(ii)

Shenzhen Properties & Resources Development (Group) Limited is not entitled to transfer the property to third parties.
- (4)

The status of title and grant of major approvals and licences in accordance with the PRC legal opinion and information provided by the Group are as follows:

Real Estate Title Certificate	No
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION ON THE ENLARGED GROUP

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2005															
13. 4 residential units and 277 shop units of Danshui Property City, Huiyang City, Guangdong Province	<p>Danshui Property City is a composite development completed in 2000s.</p> <p>The property comprises 4 residential units and 277 shops units of Danshui Property City with a total gross floor area as follows:</p> <table> <tr> <th>Portion</th> <th colspan="2">Approximate Gross Floor Area</th> </tr> <tr> <td></td> <td><i>sq.m.</i></td> <td><i>sq.ft.</i></td> </tr> <tr> <td>Commercial</td> <td>13,180.56</td> <td>141,889</td> </tr> <tr> <td>Residential</td> <td>364.51</td> <td>3,924</td> </tr> <tr> <td></td> <td><u>13,545.07</u></td> <td><u>145,813</u></td> </tr> </table> <p>The land use rights of the property has been granted for a term of 40 years for commercial use and 70 years for residential use.</p>	Portion	Approximate Gross Floor Area			<i>sq.m.</i>	<i>sq.ft.</i>	Commercial	13,180.56	141,889	Residential	364.51	3,924		<u>13,545.07</u>	<u>145,813</u>	The property is currently vacant.	RMB9,445,000
Portion	Approximate Gross Floor Area																	
	<i>sq.m.</i>	<i>sq.ft.</i>																
Commercial	13,180.56	141,889																
Residential	364.51	3,924																
	<u>13,545.07</u>	<u>145,813</u>																

- Notes:
- (1)

According to 281 Real Estate Title Certificates, the land use rights and legal title of the property, comprising a total gross floor area of 13,545.07 sq.m., has been granted to Shenzhen Properties & Resources Development (Group) Limited for a term of 40 years for commercial use and 70 years for residential use.
- (2)

According to Business Licence No. 4403011027229, Shenzhen Properties & Resources Development (Group) Limited, a company listed on the Shenzhen Stock Exchange, was established with a registered capital of RMB541,799,175.
- (3)

According to the legal opinion of the PRC lawyer, Guangdong Yeasun Law Firm:

(i)

Shenzhen Properties & Resources Development (Group) Limited is in possession of proper legal title and has obtained the building ownership rights of the property with a total gross floor area of 13,545.07 sq.m. for commercial/residential uses.

(ii)

Shenzhen Properties & Resources Development (Group) Limited is entitled to occupy, use, and handle the property and has the capacity to sell the property.

(iii)

The property is free from mortgage, free from encumbrances and can be freely transferred leased and mortgaged.
- (4)

The status of title and grant of major approvals and licences in accordance with the PRC legal opinion and information provided by the Group are as follows:

Real Estate Title Certificate	Yes
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION ON THE ENLARGED GROUP

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2005
14. Level 1 and 2 of ancillary building of Fuchang Building, Fuminxinchuan, Fujiang Road, Shenzhen City, Guangdong Province	<p>The property comprises level 1-2 of the ancillary building of Fuchang Building comprising a total gross floor area of 1,501.41 sq.m. (16,161 sq.ft.) completed in 1999 with details as follows:</p> <p>The land use rights of the property has been granted for a term due to expire on 6 April 2060 for commercial use.</p>	<p>Portion of the property with a gross floor area of 1,343.07 sq.m. (14,457 sq.ft.) is currently leased to various tenants at a total monthly rent of RMB16,667.00 with the latest expiry in 2007.</p> <p>The remaining portion is currently vacant.</p>	No commercial value

Notes:

- (1)

Shenzhen Properties & Resources Development (Group) Limited has not obtained proper title documents for the property.
- (2)

According to Business Licence No. 4403011027229, Shenzhen Properties & Resources Development (Group) Limited, a company listed on the Shenzhen Stock Exchange, was established with a registered capital of RMB541,799,175.
- (3)

According to the legal opinion of the PRC lawyer, Guangdong Yeasun Law Firm:

(i)

Shenzhen Properties & Resources Development (Group) Limited is not in possession of proper legal title and has not obtained the building ownership rights of the property with a total gross floor area of 1,501.41 sq.m. for residential use.

(ii)

Shenzhen Properties & Resources Development (Group) Limited is not entitled to transfer the property to third parties.
- (4)

The status of title and grant of major approvals and licences in accordance with the PRC legal opinion and information provided by the Group are as follows:

Real Estate Title Certificate

No

Business Licence

Yes

APPENDIX IV

PROPERTY VALUATION ON THE ENLARGED GROUP

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2005
15. Heping Hotel Building, Chuanfu Street, Heping Road, Luohu District, Shenzhen City, Guangdong Province	<p>Heping Hotel Building is a 7-storey hotel building erected on a site with a site area of 7,741 sq.m. (83,324 sq.ft.), comprising a total gross floor area of 4,333.25 sq.m. (46,643 sq.ft.) completed in 1990.</p> <p>The land use rights of the property has been granted for a term of 30 years due to expire on 31 December 2019 for composite use.</p>	The property with a gross floor area of 4,333.25 sq.m. (46,643 sq.ft.) is currently leased to Heping Hotel with expiry in 2012.	RMB19,500,000

Notes:

- (1)

According to Real Estate Title Certificate No. 2000108819, the land use rights and legal title of the property, comprising a total gross floor area of 4,333.25 sq.m., has been granted to Shenzhen Properties & Resources Development (Group) Limited for a term of 30 years from 1 January 1990 to 31 December 2019 for composite use.
- (2)

According to Business Licence No. 4403011027229, Shenzhen Properties & Resources Development (Group) Limited, a company listed on the Shenzhen Stock Exchange, was established with a registered capital of RMB541,799,175.
- (3)

According to the legal opinion of the PRC lawyer, Guangdong Yeasun Law Firm:

(i)

Shenzhen Properties & Resources Development (Group) Limited is in possession of proper legal title and has obtained the building ownership rights of the property with a total gross floor area of 4,333.25 sq.m. for composite use.

(ii)

Shenzhen Properties & Resources Development (Group) Limited is entitled to occupy, use, and handle the property and has the capacity to sell the property.

(iii)

The property is free from mortgage, free from encumbrances and can be freely transferred. leased and mortgaged.
- (4)

The status of title and grant of major approvals and licences in accordance with the PRC legal opinion and information provided by the Group are as follows:

Real Estate Title Certificate

Yes

Business Licence

Yes

APPENDIX IV

PROPERTY VALUATION ON THE ENLARGED GROUP

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2005														
16. Level 1-6 Huanggang Living Area Composite Building, Fuminxinchuan, Fujiang Road, Shenzhen City, Guangdong Province	<p>The property comprises a 6-storey building comprising a total gross floor area of 6,630.00 sq.m. (71,365 sq.ft.) completed in 1995 with details as follows:</p> <table> <tr> <th rowspan="2">Portion</th> <th colspan="2">Approximate Gross Floor Area</th> </tr> <tr> <th>sq.m.</th> <th>sq.ft.</th> </tr> <tr> <td>Commercial</td> <td>1,000.00</td> <td>10,764</td> </tr> <tr> <td>Staff quarter</td> <td>5,630.00</td> <td>60,601</td> </tr> <tr> <td></td> <td><u>6,630.00</u></td> <td><u>71,365</u></td> </tr> </table> <p>The land use rights of the property has been granted for a term of 50 years due to expire on 8 July 2040 for residential uses.</p>	Portion	Approximate Gross Floor Area		sq.m.	sq.ft.	Commercial	1,000.00	10,764	Staff quarter	5,630.00	60,601		<u>6,630.00</u>	<u>71,365</u>	The property is currently vacant.	No commercial value
Portion	Approximate Gross Floor Area																
	sq.m.	sq.ft.															
Commercial	1,000.00	10,764															
Staff quarter	5,630.00	60,601															
	<u>6,630.00</u>	<u>71,365</u>															

Notes:

- (1)

Shenzhen Properties & Resources Development (Group) Limited has not obtained proper title documents for the property.
- (2)

According to Business Licence No. 4403011027229, Shenzhen Properties & Resources Development (Group) Limited, a company listed on the Shenzhen Stock Exchange, was established with a registered capital of RMB541,799,175.
- (3)

According to the legal opinion of the PRC lawyer, Guangdong Yeasun Law Firm:

(i)

Shenzhen Properties & Resources Development (Group) Limited is not in possession of proper legal title and has not obtained the building ownership rights of the property with a total gross floor area of 6,630.00 sq.m. for residential uses.

(ii)

Shenzhen Properties & Resources Development (Group) Limited is not entitled to transfer the property.
- (4)

The status of title and grant of major approvals and licences in accordance with the PRC legal opinion and information provided by the Group are as follows:

Real Estate Title Certificate	No
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION ON THE ENLARGED GROUP

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2005
17. Units 8A-F, Guomao Commercial Building, Nanhu Road, Luohu District, Shenzhen City, Guangdong Province	<p>Guomao Commercial Building is a 37-storey office building erected on a site with a site area of 1,964 sq.m. (21,140 sq.ft.), comprising a total gross floor area of 52,600 sq.m. (566,186 sq.ft.) completed in 1999.</p> <p>The property comprises 6 units on level 8 of Guomao Commercial Building with a total gross floor area of 800.40 sq.m. (8,616 sq.ft.).</p> <p>The land use rights of the property has been granted for a term of 50 years due to expire on 7 January 2043 for office use.</p>	The property is currently vacant.	RMB3,857,000

Notes:

- (1)
- According to 6 Real Estate Title Certificates, the land use rights and legal title of the property, comprising a total gross floor area of 800.40 sq.m., has been granted to Shenzhen Guomao Property Management Co., Ltd. for a term of 50 years due to expire on 7 January 2043 for office use.

Certificate No.	Unit	Gross Floor Area <i>sq.m.</i>
200104311	8A	144.29
200104315	8B	149.48
200104314	8C	105.62
200104312	8D*	105.62
200104313	8E	151.10
200104316	8F	144.29
Total:		800.40

*

Unit 8D is subject to seizure. We have not assigned value to this unit.

- (2)
- According to Business Licence No. 4403011026569, Shenzhen Guomao Property Management Co., Ltd., a wholly owned subsidiary of Shenzhen Properties Group, was established with a registered capital of RMB20,000,000.

- (3) According to the legal opinion of the PRC lawyer, Guangdong Yeasun Law Firm:
- (i) Shenzhen Guomao Property Management Co., Ltd. is in possession of proper legal title and has obtained the building ownership rights of the property with a total gross floor area of 800.40 sq.m. for office use.

(ii) Portion of the property is subject to encumbrances. Portion of the property with a gross floor area of 105.62 sq.m. subject to seizure cannot be mortgaged, leased and transferred to third parties unless the seizure is lifted by court order. The remaining portion of the property can be mortgaged, leased and transferred to third parties.
- (4) The status of title and grant of major approvals and licences in accordance with the PRC legal opinion and information provided by the Group are as follows:

Real Estate Title Certificate	Yes
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION ON THE ENLARGED GROUP

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2005
18. Unit 10D, Longzhu Building, Longkun North Road, Haikou City, Hainan Province	<p>Longzhu Building is an office building completed in 1991.</p> <p>The property comprises unit 10D of Longzhu Building with a total gross floor area of 265.51 sq.m. (2,858 sq.ft.).</p> <p>The land use rights of the property has been granted for an unspecified term for office use.</p>	The property is currently vacant.	RMB492,000

Notes:

- (1)

According to Real Estate Title Certificate No. 12259, the land use rights and legal title of the property, comprising a total gross floor area of 265.51 sq.m., has been granted to Hainan Xinda Development Company for an unspecified term for office use.
- (2)

According to Business Licence No. 4600001002271, Hainan Xinda Development Company, a wholly owned subsidiary of Shenzhen Properties Group, was established with a registered capital of RMB20,000,000.
- (3)

According to the legal opinion of the PRC lawyer, Guangdong Yeasun Law Firm:

(i)

Hainan Xinda Development Company is in possession of proper legal title and has obtained the building ownership rights of the property with a total gross floor area of 265.51 sq.m. for office use.

(ii)

Hainan Xinda Development Company is entitled to occupy, use, and handle the property and has the capacity to sell the property.

(iii)

The property is free from mortgage, free from encumbrances and can be freely transferred, mortgaged and leased.
- (4)

The status of title and grant of major approvals and licences in accordance with the PRC legal opinion and information provided by the Group are as follows:

Real Estate Title Certificate	Yes
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION ON THE ENLARGED GROUP

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2005
19. Levels 1-6, Fenhe Rili Composite Building, Renmin Road, Longhua Town, Shenzhen City, Guangdong Province	<p>Fenhe Rili Composite Building is a 6-storey building erected on a site with a site area of 1,722.20 sq.m. (18,538 sq.ft.), comprising a total gross floor area of 2,495.60 sq.m. (26,863 sq.ft.) completed in 2003.</p> <p>The land use rights of the property has been granted for a term of 70 years due to expire on 27 December 2065 for ancillary use.</p>	The property is currently vacant.	No commercial value

Notes:

- (1)

Shenzhen Property Project Development Co., Ltd. has not obtained proper title documents for the property.
- (2)

According to Business Licence No. 4403011019666, Shenzhen Property Project Development Co., Ltd., a wholly owned subsidiary of Shenzhen Properties Group, was established with a registered capital of RMB30,950,000.
- (3)

According to the legal opinion of the PRC lawyer, Guangdong Yeasun Law Firm:

(i)

Shenzhen Property Project Development Co., Ltd. is not in possession of proper legal title and has not obtained the building ownership rights of the property with a total gross floor area of 2,495.60 sq.m. for ancillary use.

(ii)

Shenzhen Property Project Development Co., Ltd. is not entitled to transfer the property to third parties.
- (4)

The status of title and grant of major approvals and licences in accordance with the PRC legal opinion and information provided by the Group are as follows:

Real Estate Title Certificate	No
Business Licence	Yes

Group II — Property interests held for owners’ occupation by Shenzhen Properties Group in the PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2005
1. Units A1-01, A1-02 of District A and Unit 207, 419 and whole level of B1, 39, 42 of District B, Shenzhen International Trade Center, Renminnan Road, Luohu District, Shenzhen City, Guangdong Province	<p>Shenzhen International Trade Center is a 53-storey composite office/commercial building consists of 2 sub-districts, namely District A and B and erected on a site with a site area of approximately 20,162.20 sq.m. (217,026 sq.ft.), comprising a total gross floor area of 104,278 sq.m. (1,122,448 sq.ft.) completed in 1986.</p> <p>The property comprises Unit A1-01, A1-02 of District A and Unit 207, 419 and whole level of B1, 39, 42 of District B of Shenzhen International Trade Center with a total gross floor area of 10,200.51 sq.m. (109,798 sq.ft.).</p> <p>The land use rights of the property has been granted for a term of 50 years due to expire on 1 June 2031 for composite use.</p>	The property is currently occupied by the Group as office.	RMB32,258,000

Notes:

- (1) According to 7 Real Estate Title Certificates, the land use rights and legal title of the property, comprising a total gross floor area of 10,200.51 sq.m., has been granted to Shenzhen Properties & Resources Development (Group) Limited for a term of 50 years due to expire on 1 June 2031 for composite uses.

Certificate No.	Unit	Gross Floor Area sq.m.
0216302	A1-01 of District A	1,248.37
0216303	A1-02 of District A	4,737.43
0216445	Level B1 of District B	607.14
0216453	207 of District B	324.98
0216463	419 of District B	169.23
0216467	Level 39 of District B	1,556.68
0216468	Level 42 of District B	1,556.68
Total:		10,200.51

- (2)

According to Business Licence No. 4403011027229, Shenzhen Properties & Resources Development (Group) Limited , a company listed on the Shenzhen Stock Exchange, was established with a registered capital of RMB541,799,175.
- (3)

According to the legal opinion of the PRC lawyer, Guangdong Yeasun Law Firm:

(i)

Shenzhen Properties & Resources Development (Group) Limited is in possession of proper legal title and has obtained the building ownership rights of the property with a total gross floor area of 10,200.51 sq.m. for composite use.

(ii)

Shenzhen Properties & Resources Development (Group) Limited is entitled to occupy, use and handle the property and has the capacity to sell the property.

(iii)

The property is subject to encumbrances. The property is subject to mortgage. Before the release of the mortgage, the property cannot be transferred and leased to third parties without the consent of the mortgagee.
- (4)

The status of title and grant of major approvals and licences in accordance with the PRC legal opinion and information provided by the Group are as follows:

Real Estate Title Certificate	Yes
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION ON THE ENLARGED GROUP

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2005
2. Units A-D, H-J, Level 35, Guomao Commercial Building, Nanhu Road, Luohu District, Shenzhen City, Guangdong Province	<p>Guomao Commercial Building is a 37-storey commercial building erected on a site with a site area of 1,964 sq.m. (21,140 sq.ft.), comprising a total gross floor area of 52,600 sq.m. (566,186 sq.ft.) completed in 1997.</p> <p>The property comprises 7 units on level 35 of Guomao Commercial Building with a total gross floor area of 1,086.94 sq.m. (11,700 sq.ft.).</p> <p>The land use rights of the property has been granted for a term of 50 years due to expire on 7 January 2043 for office use.</p>	The property is currently occupied by the Group as office.	RMB5,978,000

Notes:

- (1) According to 7 Real Estate Title Certificates, the land use rights and legal title of the property, comprising a total gross floor area of 1,086.94 sq.m., has been granted to Shenzhen Properties & Resources Development (Group) Limited for a term of 50 years due to expire on 7 January 2043 for office use.

Certificate No.	Unit	Gross Floor Area <i>sq.m.</i>
2000125342	35A	144.29
2000125328	35B	150.65
2000125358	35C	105.62
2000125357	35D	171.19
2000125354	35H	192.09
2000125351	35I	133.93
2000125353	35J	189.17
Total:		<u>1,086.94</u>

- (2) According to Business Licence No. 4403011027229, Shenzhen Properties & Resources Development (Group) Limited, a company listed on the Shenzhen Stock Exchange, was established with a registered capital of RMB541,799,175.
- (3) According to the legal opinion of the PRC lawyer, Guangdong Yeasun Law Firm:
- (i) Shenzhen Properties & Resources Development (Group) Limited is in possession of proper legal title and has obtained the building ownership rights of the property with a total gross floor area of 1,086.94 sq.m. for office use.

- (ii)

Shenzhen Properties & Resources Development (Group) Limited is entitled to occupy, use and handle the property and has the capacity to sell the property.
- (iii)

The property is free from mortgage, free from encumbrances and can be freely transferred, leased and mortgaged.
- (4)

The status of title and grant of major approvals and licences in accordance with the PRC legal opinion and information provided by the Group are as follows:
- Real Estate Title Certificate

Yes
- Business Licence

Yes

APPENDIX IV

PROPERTY VALUATION ON THE ENLARGED GROUP

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2005
3. Basement Levels 1-2, Fumin Building, Fuminxinchuan, Fujiang Road, Shenzhen City, Guangdong Province	<p>Fumin Building is a 30-storey composite building erected on a site with a site area of 7,323.42 sq.m. (78,829 sq.ft.), completed in 2002.</p> <p>The property comprises basement levels 1-2 of Fumin Building with a total gross floor area of 9,260.22 sq.m. (99,677 sq.ft.).</p> <p>The land use rights of the property has been granted for a term of 70 years due to expire on 7 April 2060 for ancillary use.</p>	The property is currently occupied by the Group as carpark.	No commercial value

Notes:

- (1)

Shenzhen Properties & Resources Development (Group) Limited has not obtained proper title documents for the property.
- (2)

According to Business Licence No. 4403011027229, Shenzhen Properties & Resources Development (Group) Limited, a company listed on the Shenzhen Stock Exchange, was established with a registered capital of RMB541,799,175.
- (3)

According to the legal opinion of the PRC lawyer, Guangdong Yeasun Law Firm:

(i)

Shenzhen Properties & Resources Development (Group) Limited is not in possession of proper legal title and has not obtained the building ownership rights of the property with a total gross floor area of 9,260.22 sq.m. for ancillary use.

(ii)

Shenzhen Properties & Resources Development (Group) Limited is not entitled to transfer the property to third parties.
- (4)

The status of title and grant of major approvals and licences in accordance with the PRC legal opinion and information provided by the Group are as follows:

Real Estate Title Certificate	No
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION ON THE ENLARGED GROUP

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2005
4. Level 3, Fuchang Building, Fuminxinchuan, Fujiang Road, Shenzhen City, Guangdong Province	<p>Fuchang Building is a 25-storey building erected on a site with a site area of 165,386 sq.m. (1,780,217 sq.ft.), comprising a total gross floor area of 18,998 sq.m. (204,495 sq.ft.) completed in 1999.</p> <p>The property comprises level 3 of Fuchang Building with a total gross floor area of 1,416.75 sq.m. (15,250 sq.ft.).</p> <p>The land use rights of the property has been granted for a term of 70 years due to expire on 6 April 2060 for composite use.</p>	The property is currently occupied by the Group as management office.	No commercial value

Notes:

- (1)

Shenzhen Properties & Resources Development (Group) Limited has not obtained proper title documents for the property.
- (2)

According to Business Licence No. 4403011027229, Shenzhen Properties & Resources Development (Group) Limited, a company listed on the Shenzhen Stock Exchange, was established with a registered capital of RMB541,799,175.
- (3)

According to the legal opinion of the PRC lawyer, Guangdong Yeasun Law Firm:

(i)

Shenzhen Properties & Resources Development (Group) Limited is not in possession of proper legal title and has not obtained the building ownership rights of the property with a total gross floor area of 1,416.75 sq.m. for composite use.

(ii)

Shenzhen Properties & Resources Development (Group) Limited is not entitled to transfer the property to third parties.
- (4)

The status of title and grant of major approvals and licences in accordance with the PRC legal opinion and information provided by the Group are as follows:

Real Estate Title Certificate	No
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION ON THE ENLARGED GROUP

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2005
5. Level 3, Jiabin Garden, Shennan Road South, Shenzhen City, Guangdong Province	<p>Jiabin Garden comprises 2 blocks of 25 to 27-storey building erected on a site with a site area of 8,548.30 sq.m. (92,014 sq.ft.), comprising a total gross floor area of 54,680 sq.m. (588,576 sq.ft.) completed in 1992.</p> <p>The property comprises level 3 of Jiabin Garden with a total gross floor area of 465.95 sq.m. (5,015 sq.ft.).</p> <p>The land use rights of the property has been granted for a term of 50 years due to expire on 8 June 2038 for residential use.</p>	The property is currently occupied by the Group as residential use.	RMB1,864,000

Notes:

- (1)

According to Real Estate Title Certificate No. 2002233415, the land use rights and legal title of the property, comprising a total gross floor area of 465.95 sq.m., has been granted to Shenzhen Guomao Property Management Co., Ltd. for a term of 50 years due to expire on 8 June 2038 for residential use.
- (2)

According to Business Licence No. 4403011026569, Shenzhen Guomao Property Management Co., Ltd., a wholly owned subsidiary of Shenzhen Properties Group, was established with a registered capital of RMB20,000,000.
- (3)

According to the legal opinion of the PRC lawyer, Guangdong Yeasun Law Firm:

(i)

Shenzhen Guomao Property Management Co., Ltd. is in possession of proper legal title and has obtained the building ownership rights of the property with a total gross floor area of 465.95 sq.m. for residential use.

(ii)

Shenzhen Guomao Property Management Co., Ltd. is entitled to occupy, use and handle the property and has the capacity to sell the property.

(iii)

The property is free from mortgage, free from encumbrances and can be freely transferred, lease and mortgaged.
- (4)

The status of title and grant of major approvals and licences in accordance with the PRC legal opinion and information provided by the Group are as follows:
- Real Estate Title Certificate

Yes
- Business Licence

Yes

APPENDIX IV

PROPERTY VALUATION ON THE ENLARGED GROUP

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2005
6. Level 3, Xiya Commercial Building, Chongqing City, Sichuan Province	<p>Xiya Commercial Building is a 26-storey composite building completed in 1990s.</p> <p>The property comprises level 3 of Xiya Commercial Building with a total gross floor area of 502.30 sq.m. (5,407 sq.ft.).</p> <p>The land use rights of the property has been granted for a term of 50 years due to expire on 8 June 2038 for office use.</p>	The property is currently occupied by the Group as office.	RMB1,758,000

Notes:

- (1)

According to Real Estate Title Certificate No. 214328, the land use rights and legal title of the property, comprising a total gross floor area of 502.30 sq.m., has been granted to Chongqing Shenzhen Guomao Property Management Co., Ltd. for a term of 50 years due to expire on 8 June 2038 for office use.
- (2)

According to Business Licence No. 5009011802167, Chongqing Shenzhen Guomao Property Management Co., Ltd., a wholly owned subsidiary of Shenzhen Properties Group, was established with a registered capital of RMB20,000,000.
- (3)

According to the legal opinion of the PRC lawyer, Guangdong Yeasun Law Firm:

(i)

Chongqing Shenzhen Guomao Property Management Co., Ltd. is in possession of proper legal title and has obtained the building ownership rights of the property with a total gross floor area of 502.30 sq.m. for office use.

(ii)

Chongqing Shenzhen Guomao Property Management Co., Ltd. is entitled to occupy, use and handle the property and has the capacity to sell the property.

(iii)

The property is free from mortgage, free from encumbrances and can be freely transferred, lease and mortgaged.
- (4)

The status of title and grant of major approvals and licences in accordance with the PRC legal opinion and information provided by the Group are as follows:

Real Estate Title Certificate	Yes
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION ON THE ENLARGED GROUP

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2005
7. Units 2701, 2702, Huangcheng Plaza Building, Huanggang Road, Futian District, Shenzhen City, Guangdong Province	<p>Huangcheng Plaza is a 38-storey building erected on a site with a site area of 20,485 sq.m. (220,501 sq.ft.), comprising a total gross floor area of 134,632 sq.m. (1,449,179 sq.ft.) completed in 1997.</p> <p>The property comprises level 3 of Huangcheng Plaza with a total gross floor area of 1,186.80 sq.m. (12,775 sq.ft.).</p> <p>The land use rights of the property has been granted for a term of 50 years due to expire on 1 May 2041 for office use.</p>	The property is currently occupied by the Group as office.	RMB4,747,000

Notes:

- (1)

According to 2 Real Estate Title Certificates No. 3000260527 and 3000260528 dated 21 May 2004 and issued by Shenzhen Planning and Land Resources Bureau, the land use rights and legal title of the property, comprising a total gross floor area of 1,186.80 sq.m., has been granted to Shenzhen Guomao Motor Vehicles Enterprises Co., Ltd. for a term of 50 years from 1 May 1991 to 1 May 2041 and for office use.
- (2)

According to Business Licence No. 4403011052582, Shenzhen Guomao Motor Vehicles Enterprises Co., Ltd., a wholly owned subsidiary of Shenzhen Properties Group, was established with a registered capital of RMB29,850,000.
- (3)

According to the legal opinion of the PRC lawyer, Guangdong Yeasun Law Firm:

(i)

Shenzhen Guomao Motor Vehicles Enterprises Co., Ltd. is in possession of proper legal title and has obtained the building ownership rights of the property with a total gross floor area of 1,186.80 sq.m. for office use.

(ii)

Shenzhen Guomao Motor Vehicles Enterprises Co., Ltd. is entitled to occupy, use, handle the property and has the capacity to sell the property.

(iii)

The property is free from mortgage, free from encumbrances and can be freely transferred, lease and mortgaged.
- (4)

The status of title and grant of major approvals and licences in accordance with the PRC legal opinion and information provided by the Group are as follows:

Real Estate Title Certificate	Yes
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION ON THE ENLARGED GROUP

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2005
8. A plot of land and Guomao Petrol Station and a Staff Quarter, North Ring Road, Futian District, Shenzhen City, Guangdong Province	<p>The property comprises a plot of land with a site area of 1,772.04 sq.m. and two building structures of a petrol station and a staff quarter erected on a site with a site area of 2,350.9 sq.m. (25,305 sq.ft.), comprising a total gross floor area of 578.86 sq.m. (6,231 sq.ft.) completed in 1993.</p> <p>The land use rights of the property has been granted for a term of 30 years due to expire on 18 May 2023 for commercial, petrol station and staff quarter uses.</p>	The property is currently occupied by the Group as office use.	RMB10,000,000

Notes:

- (1)

According to Real Estate Title Certificate No. 3000272460 and No. 3000036699 dated 7 July 2004 issued by Shenzhen Planning and Land Resources Bureau, the land use rights and legal title of the property, comprising a site area of 1,772.04 sq.m. and a total gross floor area of 578.86 sq.m., has been granted to Shenzhen Guomao Motor Vehicles Enterprises Co., Ltd. for a term of 30 years from 19 May 1993 to 18 May 2023 for commercial, petrol station and staff quarter uses.
- (2)

According to Business Licence No. 4403011052582, Shenzhen Guomao Motor Vehicles Enterprises Co., Ltd. a wholly owned subsidiary of Shenzhen Properties Group was established with a registered capital of RMB29,850,000.
- (3)

According to the legal opinion of the PRC lawyer, Guangdong Yeasun Law Firm:

(i)

Shenzhen Guomao Motor Vehicles Enterprises Co., Ltd. is in possession of proper legal title and has obtained the building ownership rights of the property with a site area of 1,772.04 sq.m. and a total gross floor area of 578.86 sq.m. for commercial, petrol station and staff quarter uses.

(ii)

Shenzhen Guomao Motor Vehicles Enterprises Co., Ltd. is entitled to occupy, use, handle and has the capacity to sell the property.

(iii)

The property is free from mortgage, free from encumbrances and can be freely transferred, lease and mortgaged.
- (4)

The status of title and grant of major approvals and licences in accordance with the PRC legal opinion and information provided by the Group are as follows:

Real Estate Title Certificate	Yes
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION ON THE ENLARGED GROUP

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2005
9. Unit 204, Shengjing Building, Haijing Bay, Yanzao Road, Haikou City, Hainan Province	<p>Shengjing Building is a 6-storey composite building completed in 1990s.</p> <p>The property comprises unit 204 of Shengjing Building with a total gross floor area of 130 sq.m. (1,399 sq.ft.).</p> <p>The land use rights of the property has been granted for unspecified term for residential use.</p>	The property is currently occupied by the Group as residential use.	RMB280,000

Notes:

- (1)

According to Real Estate Title Certificate No. 17990, the land use rights and legal title of the property, comprising a total gross floor area of 130 sq.m., has been granted to Hainan Xinda Development Company for an unspecified term for residential use.
- (2)

According to Business Licence No. 4600001002271, Hainan Xinda Development Company, a wholly owned subsidiary of Shenzhen Properties Group, was established with a registered capital of RMB20,000,000.
- (3)

According to the legal opinion of the PRC lawyer, Guangdong Yeasun Law Firm:

(i)

Hainan Xinda Development Company is in possession of proper legal title and has obtained the building ownership rights of the property with a total gross floor area of 130.00 sq.m. for residential use.

(ii)

Hainan Xinda Development Company is entitled to occupy, use and handle the property and has the capacity to sell the property.

(iii)

The property is free from mortgage, free from encumbrances and can be freely transferred, lease and mortgaged.
- (4)

The status of title and grant of major approvals and licences in accordance with the PRC legal opinion and information provided by the Group are as follows:

Real Estate Title Certificate

Yes

Business Licence

Yes

APPENDIX IV

PROPERTY VALUATION ON THE ENLARGED GROUP

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2005
10. Unit 1001, Huajing Yuan, Huafu Road, Hainan Province	<p>Huajing Yuan is a multi-storey residential building completed in 1990s.</p> <p>The property comprises unit 1001 of Huajing Yuan, with a total gross floor area of 104.13 sq.m. (1,121 sq.ft.).</p> <p>The land use rights of the property has been granted for an unspecified term for residential use.</p>	The property is currently occupied by the Group as residential use.	No commercial value

Notes:

- (1) Hainan Xinda Development Company has not obtained proper title documents for the property.
- (2) According to Business Licence No. 4600001002271, Hainan Xinda Development Company, a wholly owned subsidiary of Shenzhen Properties Group, was established with a registered capital of RMB20,000,000.
- (3) According to the legal opinion of the PRC lawyer, Guangdong Yeasun Law Firm:

(i) Hainan Xinda Development Company is not in possession of proper legal title and has not obtained the building ownership rights of the property with a total gross floor area of 104.13 sq.m. for residential use.

(ii) Hainan Xinda Development Company is not entitled to transfer the property to third parties.
- (4) The status of title and grant of major approvals and licences in accordance with the PRC legal opinion and information provided by the Group are as follows:

Real Estate Title Certificate	No
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION ON THE ENLARGED GROUP

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2005
11. Unit 501 and Whole Level 1, Xinda Commercial/Residential Building, Xinda District, No.48 Guomao Avenue, Haikou City, Hainan Province	<p>Xinda Commercial/Residential Building is erected on a site of 11,694 sq.m. (125,874 sq.ft.), comprising a total gross floor area of 55,204 sq.m. (594,216 sq.ft.) completed in 1990s.</p> <p>The property comprises unit 501 and whole level 1 of Xinda Commercial/Residential Building, with a total gross floor area of 1,249.50 sq.m. (13,450 sq.ft.).</p> <p>The land use rights of the property has been granted for an unspecified term for office use.</p>	<p>The property is currently occupied by the Group as office use.</p>	RMB2,580,000

Notes:

- (1)

According to 2 Real Estate Title Certificates Nos. 091092 and 37014, the land use rights and legal title of the property, comprising a total gross floor area of 1,249.50 sq.m., has been granted to Hainan Xinda Development Company for an unspecified term for office use.
- (2)

According to Business Licence No. 4600001002271, Hainan Xinda Development Company, a wholly owned subsidiary of Shenzhen Properties Group, was established with a registered capital of RMB20,000,000.
- (3)

According to the legal opinion of the PRC lawyer, Guangdong Yeasun Law Firm:

(i)

Hainan Xinda Development Company is in possession of proper legal title and has obtained the building ownership rights of the property with a total gross floor area of 1,249.50 sq.m. for office use.

(ii)

Hainan Xinda Development Company is entitled to occupy, use and handle the property and has the capacity to sell the property.

(iii)

The property is free from mortgage, free from encumbrances and can be freely transferred, lease and mortgaged.
- (4)

The status of title and grant of major approvals and licences in accordance with the PRC legal opinion and information provided by the Group are as follows:

Real Estate Title Certificate	Yes
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION ON THE ENLARGED GROUP

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2005
12. Units 603 and 604, Jinfu Building, Longhua Town, Baoan District, Shenzhen City, Guangdong Province	<p>Jingfu Building is a 6-storey residential building completed in 1990s.</p> <p>The property comprises units 603 and 604 of Jingfu Building, with a total gross floor area of 231.37 sq.m. (2,490 sq.ft.).</p> <p>The land use rights of the property has been granted for an unspecified term for residential use.</p>	The property is currently occupied by the Group as residential use.	RMB370,000

Notes:

- (1)

According to 2 Real Estate Title Certificates Nos. 4140823 and 4140850, the land use rights and legal title of the property, comprising a total gross floor area of 231.37 sq.m., has been granted to Shenzhen Property Project Development Co., Ltd. for an unspecified term for residential use.
- (2)

According to Business Licence No. 4403011019666, Shenzhen Property Project Development Co., Ltd., a wholly owned subsidiary of Shenzhen Properties Group, was established with a registered capital of RMB30,950,000.
- (3)

According to the legal opinion of the PRC lawyer, Guangdong Yeasun Law Firm:

(i)

Shenzhen Property Project Development Co., Ltd. is in possession of proper legal title and has obtained the building ownership rights of the property with a total gross floor area of 231.37 sq.m. for residential use.

(ii)

Shenzhen Property Project Development Co., Ltd. is entitled to occupy, use and handle the property and has the capacity to sell the property.

(iii)

The property is free from mortgage, free from encumbrances and can be freely transferred, lease and mortgaged.
- (4)

The status of title and grant of major approvals and licences in accordance with the PRC legal opinion and information provided by the Group are as follows:

Real Estate Title Certificate	Yes
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION ON THE ENLARGED GROUP

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2005
13. Fenhe Rili Club House Renmin Road, Longhua Town, Shenzhen City, Guangdong Province	<p>The property comprises a 6-storey club house of Fenhe Rili comprising a total gross floor area of 4,323.5 sq.m. (46,538 sq.ft.) completed in 2002.</p> <p>The land use rights of the property has been granted for an unspecified term for ancillary use.</p>	The property is currently occupied by the Group as ancillary use.	No commercial value

Notes:

- (1)

Shenzhen Property Project Development Co., Ltd. has not obtained proper title documents for the property.
- (2)

According to Business Licence No. 4403011019666, Shenzhen Property Project Development Co., Ltd., a wholly owned subsidiary of Shenzhen Properties Group, was established with a registered capital of RMB30,950,000.
- (3)

According to the legal opinion of the PRC lawyer, Guangdong Yeasun Law Firm:

(i)

Shenzhen Property Project Development Co., Ltd. is not in possession of proper legal title and has not obtained the building ownership rights of the property with a total gross floor area of 4,323.50 sq.m. for ancillary use.

(ii)

Shenzhen Property Project Development Co., Ltd. is not entitled to transfer the property to third party.
- (4)

The status of title and grant of major approvals and licences in accordance with the PRC legal opinion and information provided by the Group are as follows:

Real Estate Title Certificate	No
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION ON THE ENLARGED GROUP

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2005
14. Units 503, 602, 603 of No. 36 and Unit 102 of No. 47, Kangluo Xiaoju, Xuhui District, Shanghai	<p>Kangluo Xiaoju is a residential development completed in 1994.</p> <p>The property comprises three residential units in No. 36 and one residential unit in No. 47 with a total gross floor area of 174.63 sq.m. (1,880 sq.ft.).</p> <p>The land use rights of the property has been granted for an unspecified term for residential use.</p>	The property is currently occupied by the Group as residential use.	RMB733,000

Notes:

- (1)

According to Real Estate Title Certificate No. (2000)025720, the land use rights and legal title of the property, comprising a total gross floor area of 174.63 sq.m., has been granted to Shanghai Shenzhen Property Development Co., Ltd. for an unspecified term for residential use.
- (2)

According to Business Licence No. 3101121023093, Shanghai Shenzhen Property Development Co., Ltd., a wholly owned subsidiary of Shenzhen Properties Group, was established with a registered capital of RMB50,000,000.
- (3)

According to the legal opinion of the PRC lawyer, Guangdong Yeasun Law Firm:

(i)

Shanghai Shenzhen Property Development Co., Ltd. is in possession of proper legal title and has obtained the building ownership rights of the property with a total gross floor area of 174.63 sq.m. for residential use.

(ii)

Shanghai Shenzhen Property Development Co., Ltd. is entitled to occupy, use and handle the property and has the capacity to sell the property.

(iii)

The property is free from mortgage, free from encumbrances and can be freely transferred, lease and mortgaged.
- (4)

The status of title and grant of major approvals and licences in accordance with the PRC legal opinion and information provided by the Group are as follows:

Real Estate Title Certificate	Yes
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION ON THE ENLARGED GROUP

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2005														
15. Units 501, 502 and an office portion, Jinduerchuan, Lane 3151 Yindu Road, Minhang District, Shanghai	<p>Jinduerchuan is a composite building completed in 1990s.</p> <p>The property comprises unit 501 and 502 and an office unit with a total gross floor area of 1,291.68 sq.m. (13,904 sq.ft.) with details as follows:</p> <table><tr><th rowspan="2">Portion</th><th colspan="2">Approximate Gross Floor Area</th></tr><tr><th>sq.m.</th><th>sq.ft.</th></tr><tr><td>Residential</td><td>153.00</td><td>1,647</td></tr><tr><td>Office</td><td><u>1,138.68</u></td><td><u>12,257</u></td></tr><tr><td></td><td><u>1,291.68</u></td><td><u>13,904</u></td></tr></table> <p>The land use rights of the property has been granted for an unspecified term for composite uses.</p>	Portion	Approximate Gross Floor Area		sq.m.	sq.ft.	Residential	153.00	1,647	Office	<u>1,138.68</u>	<u>12,257</u>		<u>1,291.68</u>	<u>13,904</u>	The property is currently occupied by the Group as office and residential use respectively.	No commercial value
Portion	Approximate Gross Floor Area																
	sq.m.	sq.ft.															
Residential	153.00	1,647															
Office	<u>1,138.68</u>	<u>12,257</u>															
	<u>1,291.68</u>	<u>13,904</u>															

Notes:

- (1)

Shanghai Shenzhen Property Development Co., Ltd. has not obtained proper title documents for the property.
- (2)

According to Business Licence No. 3101121023093, Shanghai Shenzhen Property Development Co., Ltd., a wholly owned subsidiary of Shenzhen Properties Group, was established with a registered capital of RMB50,000,000.
- (3)

According to the legal opinion of the PRC lawyer, Guangdong Yeasun Law Firm:

(i)

Shanghai Shenzhen Project Development Co., Ltd. is not in possession of proper legal title and has not obtained the building ownership rights of the property.

(ii)

Shanghai Shenzhen Project Development Co., Ltd. is not entitled to transfer the property to third parties.
- (4)

The status of title and grant of major approvals and licences in accordance with the PRC legal opinion and information provided by the Group are as follows:

Real Estate Title Certificate

No

Business Licence

Yes

APPENDIX IV

PROPERTY VALUATION ON THE ENLARGED GROUP

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2005
16. Units 603, 1601 and 1603, No. 215 Zheng Street, Pipashan, Yuzhong District, Chongqing, Sichuan Province	<p>The property comprises 3 units on Zheng Street with a total gross floor area of 250 sq.m. (2,691 sq.ft.) completed in 1997.</p> <p>The land use rights of the property has been granted for a term due to expire on 23 November 2042 for residential use.</p>	The property is currently occupied by the Group as residential use.	RMB750,000

Notes:

- (1)

According to Real Estate Title Certificate No. 200212628 dated 9 April 2002, the land use rights and legal title of the property, comprising a total gross floor area of 250 sq.m., has been granted to Shum Yip Properties Development Limited for a term due to expire on 23 November 2042 for residential use.
- (2)

According to Business Licence No. 11828423-000-04-04-6, Shum Yip Properties Development Limited, a wholly owned subsidiary of Shenzhen Properties Group, is a registered Hong Kong company
- (3)

According to the legal opinion of the PRC lawyer, Guangdong Yeasun Law Firm:

(i)

Shum Yip Properties Development Limited is in possession of proper legal title and has obtained the building ownership rights of the property with a total gross floor area of 250.00 sq.m. for residential use.

(ii)

Shum Yip Properties Development Limited is entitled to occupy, use and handle the property and has the capacity to sell the property.

(iii)

The property is free from mortgage, free from encumbrances and can be freely transferred, lease and mortgaged.
- (4)

The status of title and grant of major approvals and licences in accordance with the PRC legal opinion and information provided by the Group are as follows:

Real Estate Title Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group III — Property interests held for sale by Shenzhen Properties Group in the PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2005
1. 42 unsold units on Levels 2-5, Guomao Plaza, Renminnan Road, Luohu District, Shenzhen City, Guangdong Province	<p>Guomao Plaza is a 7-storey commercial building erected on a site with a site area of 1,964 sq.m. (21,140 sq.ft.), completed in 1995.</p> <p>The property comprises 42 unsold units on levels 2-5 of Guomao Plaza with a total gross floor area of 11,551.27 sq.m. (124,338 sq.ft.).</p> <p>The land use rights of the property has been granted for a term of 50 years due to expire on 27 September 2044 for commercial use.</p>	The property is currently vacant.	RMB63,387,000

Notes:

- (1) According to 42 Real Estate Title Certificates, the land use rights and legal title of the property, comprising a total gross floor area of 11,551.27 sq.m., has been granted to Shenzhen Properties & Resources Development (Group) Limited for a term of 50 years due the expire on 27 September 2044 for commercial use. Details are summarized as follows:

Certificate No.	Unit	Gross Floor Area sq.m.
2000117198, 2000117727, 2000117747-50, 2000117745, 2000117742, 2000117739, 2000117974, 2000117976, 2000117980, 2000117984, 2000117987, 2000117990, 2000117995, 2000117997, 2000118001, 2000118005, 2000118007, 2000118011, 2000118015, 2000118020, 2000118034	201-224	4,304.59
2000118042, 2000118359	302A, 323	141.17
No title certificate		929.28
2000118053, 2000118146, 2000118163, 2000118168, 2000118196, 2000118208	401A, 401B, 403A, 403B, 407-408	713.32
No title certificate		943.19
2000118198, 2000118203, 2000118206, 2000118217, 2000118338, 2000118342, 2000118346, 2000118348, 2000118353, 2000118356	501-510	4,519.72
Total:		11,551.27

Portion of the property with a gross floor area of 1,872.47 sq.m. have not been issued the valid title certificate. We have not assigned value to this portion.

- (2)

According to Business Licence No. 4403011027229, Shenzhen Properties & Resources Development (Group) Limited, a company listed on the Shenzhen Stock Exchange, was established with a registered capital of RMB541,799,175.
- (3)

According to the legal opinion of the PRC lawyer, Guangdong Yeasun Law Firm:

(i)

Shenzhen Properties & Resources Development (Group) Limited is in possession of proper legal title and has obtained the building ownership rights of the property with a total gross floor area of 9,678.80 sq.m. for commercial use.

(ii)

Portion of the property with a gross floor area of 1,872.47 sq.m. cannot be mortgaged, leased and transferred to third parties before the Real Estate Title Certificate is issued. In addition, this portion is under seizure.

(iii)

Shenzhen Properties & Resources Development (Group) Limited is entitled to occupy, use and handle the property.

(iv)

A portion of the property with a total gross floor area of 8,824.31 is subject to mortgage. Before the release of the mortgage, the property cannot be freely transferred and leased to third parties without the consent of the mortgagee. The remaining portion with a gross floor area of 854.49 sq.m. is free from encumbrances and can be freely transferred, leased or mortgaged.
- (4)

The status of title and grant of major approvals and licences in accordance with the PRC legal opinion and information provided by the Group are as follows:

Real Estate Title Certificate	Yes (Part)
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION ON THE ENLARGED GROUP

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2005
2. Units 203 and 204, Block 3, Yinlong Garden, Shenzhen City, Guangdong Province	<p>Yinlong Garden is comprises various blocks of residential buildings completed in 1990s.</p> <p>The property comprises unsold units 203 and 204 of Yinlong Garden with a total gross floor area of 176.70 sq.m. (1,902 sq.ft.).</p> <p>The land use rights of the property has been granted for an unspecified term for residential use.</p>	The property is currently vacant.	No commercial value

Notes:

- (1) Shenzhen Properties & Resources Development (Group) Limited has not obtained the proper title documents for the property.
- (2) According to Business Licence No. 4403011027229, Shenzhen Properties & Resources Development (Group) Limited, a company listed on the Shenzhen Stock Exchange, was established with a registered capital of RMB541,799,175.
- (3) According to the legal opinion of the PRC lawyer, Guangdong Yeasun Law Firm:

(i) Shenzhen Properties & Resources Development (Group) Limited is not in possession of proper legal title and has not obtained the building ownership rights of the property with a total gross floor area of 176.70 sq.m. for residential use.

(ii) Shenzhen Properties & Resources Development (Group) Limited is not entitled to transfer the property to third parties.
- (4) The status of title and grant of major approvals and licences in accordance with the PRC legal opinion and information provided by the Group are as follows:

Real Estate Title Certificate	No
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION ON THE ENLARGED GROUP

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2005
3. Unit 2I, Block A10, Nanshui District, Shekou City, Guangdong Province	<p>Block A10 is a multi-storey residential building erected on a site with a site area of 57.9 sq.m. (623 sq.ft.) completed in 1991.</p> <p>The property comprises the unsold unit 2I of Block A10 with a total gross floor area of 96.69 sq.m. (1,041 sq.ft.).</p> <p>The land use rights of the property has been granted for a term of 50 years due to expire on 3 May 2038 for residential use.</p>	The property is currently vacant.	RMB271,000

Notes:

- (1)

According to Real Estate Title Certificate No. 4000033797, the land use rights and legal title of the property, comprising a total gross floor area of 96.69 sq.m., has been granted to Shenzhen Properties & Resources Development (Group) Limited for a term of 50 years due to expire on 3 May 2038 for residential use.
- (2)

According to Business Licence No. 4403011027229, Shenzhen Properties & Resources Development (Group) Limited, a company listed on the Shenzhen Stock Exchange, was established with a registered capital of RMB541,799,175.
- (3)

According to the legal opinion of the PRC lawyer, Guangdong Yeasun Law Firm:

(i)

Shenzhen Properties & Resources Development (Group) Limited is in possession of proper legal title and has obtained the building ownership rights of the property with a total gross floor area of 96.69 sq.m. for commercial use.

(ii)

Shenzhen Properties & Resources Development (Group) Limited is entitled to occupy, use and handle the property and has the capacity to sell the property.

(iii)

The property is free from mortgage, free from encumbrances and can be freely transferred, leased or mortgaged.
- (4)

The status of title and grant of major approvals and licences in accordance with the PRC legal opinion and information provided by the Group are as follows:

Real Estate Title Certificate

Yes

Business Licence

Yes

APPENDIX IV

PROPERTY VALUATION ON THE ENLARGED GROUP

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2005
4. Unit A4 of Levels 9-12 and Unit B4 of Levels 7, 9-11, Rihaomingyuan, No. 17 Baoannan Road, Luohu District, Shenzhen City, Guangdong Province	<p>Rihaomingyuan is a 33-storey residential building erected on a site with a site area of 3,238 sq.m. (34,854 sq.ft.) completed in 2000.</p> <p>The property comprises 8 unsold residential units of Rihaomingyuan with a total gross floor area of 490.44 sq.m. (5,279 sq.ft.).</p> <p>The land use rights of the property has been granted for a term of 70 years due to expire on 27 December 2063 for residential use.</p>	The property is currently vacant.	RMB1,849,000

Notes:

- (1)
- According to 8 Real Estate Title Certificates, the land use rights and legal title of the property, comprising a total gross floor area of 490.44 sq.m., has been granted to Shenzhen Properties & Resources Development (Group) Limited for a term of 70 years due to expire on 27 December 2063 for residential use.

Certificate No.	Unit	Gross Floor Area <i>sq.m.</i>
2000176131	B4, L7	62.80
2000176666	A1, L9	59.81
2000176667	B4, L9*	62.80
2000176668	A1, L10	59.81
2000176669	B4, L10	62.80
2000176670	A1, L11	59.81
2000176671	B4, L11*	62.80
2000176672	A1, L12	59.81
Total:		490.44

* B4, L9 and B4, L11 with a gross floor area of 125.60 sq.m. are subject to seizure. We have not assigned value to this portion of property.

- (2)
- According to Business Licence No. 4403011027229, Shenzhen Properties & Resources Development (Group) Limited, a company listed on the Shenzhen Stock Exchange, was established with a registered capital of RMB541,799,175.

- (3) According to the legal opinion of the PRC lawyer, Guangdong Yeasun Law Firm:
- (i) Shenzhen Properties & Resources Development (Group) Limited is in possession of proper legal title and has obtained the building ownership rights of the property with a total gross floor area of 490.44 sq.m. for residential use.

(ii) Shenzhen Properties & Resources Development (Group) Limited is entitled to occupy, use and handle the property.

(iii) Portion of the property is subject to encumbrances. A portion of the property with a total gross floor area of 125.60 sq.m. is subject to seizure and cannot be freely transferred and leased. The remaining portion of the property is free from mortgage, free from encumbrances and can be freely transferred, leased or mortgaged.
- (4) The status of title and grant of major approvals and licences in accordance with the PRC legal opinion and information provided by the Group are as follows:

Real Estate Title Certificate	Yes
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION ON THE ENLARGED GROUP

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2005
5. The unsold residential units of Shidaixinju, Fujiang Road, Shenzhen City Guangdong Province	<p>Shidaixinju comprises 6 blocks of 10-storey residential building erected on a site with a site area of 18,723 sq.m. (201,534 sq.ft.), comprising a total gross floor area of 34,000 sq.m. (365,976 sq.ft.) completed in 1998.</p> <p>The property comprises the unsold residential units of Shidaixinju with a total gross floor area of 1,208.72 sq.m. (13,011 sq.ft.).</p> <p>The land use rights of the Shidaixinju has been granted for a term of 70 years due to expire on 30 December 2066 for residential use.</p>	The property is currently vacant.	No commercial value

Notes:

- (1)

Shenzhen Properties & Resources Development (Group) Limited has not obtained proper title documents for the property.
- (2)

According to Business Licence No. 4403011027229, Shenzhen Properties & Resources Development (Group) Limited, a company listed on the Shenzhen Stock Exchange, was established with a registered capital of RMB541,799,175.
- (3)

According to the legal opinion of the PRC lawyer, Guangdong Yeasun Law Firm:

(i)

Shenzhen Properties & Resources Development (Group) Limited is not in possession of proper legal title and has not obtained the building ownership rights of the property, for residential use.

(ii)

Shenzhen Properties & Resources Development (Group) Limited is not entitled to transfer the property to third parties.
- (4)

The status of title and grant of major approvals and licences in accordance with the PRC legal opinion and information provided by the Group are as follows:

Real Estate Title Certificate	No
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION ON THE ENLARGED GROUP

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2005
6. The unsold portion of Junfeng Lishe Garden, Longzhu Avenue, Nanshan District, Shenzhen City, Guangdong Province	<p>Junfeng Lishe Garden is a residential development erected on a site with a site area of approximately 44,414.40 sq.m. (478,077 sq.ft.), comprising a total gross floor area of 160,015 sq.m. (1,722,401 sq.ft.) completed in 2004.</p> <p>The unsold 133 residential units of Junfeng Lishe Garden comprises a total gross floor area of 13,992.25 sq.m. (150,613 sq.ft.):</p> <p>The land use rights of the property has been granted for a term of 70 years due to expire on 27 July 2066 for residential use.</p>	The property is currently vacant.	RMB305,483,000

Notes:

- (1)

According to Certificate for the Use of State-owned Land No. 6014161, the land use rights and legal title of the property, comprising a site area of 44,414.40 sq.m., has been granted to Shenzhen Properties & Resources Development (Group) Limited for a term of 70 years due to expire in 2066 for residential use.

445 residential units with a gross floor area of 45,375.79 sq.m. and 15 commercial units with a gross floor area of 1,244.01 sq.m. have been pre-sold at a total consideration of RMB241,119,000. We have taken into account such pre-sold portion in our valuation.
- (2)

The property has been issued 2 Pre-sale Permit Nos. (2003)066 and (2003)022.
- (3)

According to Business Licence No. 4403011027229, Shenzhen Properties & Resources Development (Group) Limited, a company listed on the Shenzhen Stock Exchange, was established with a registered capital of RMB541,799,175.
- (4)

According to the legal opinion of the PRC lawyer, Guangdong Yeasun Law Firm:

(i)

Shenzhen Properties & Resources Development (Group) Limited is in possession of proper legal title and has obtained the land use rights of the property with a site area of 44,414.40 sq.m. for residential use.

- (ii)

The property has obtained 2 Pre-sale permits.
- (iii)

The property has been under pre-sold registration and seizure. The land use rights of the property can be transferred together with the units pre-sold.
- (iv)

The property is free from mortgage and can be freely transferred.
- (5)

The status of title and grant of major approvals and licences in accordance with the PRC legal opinion and information provided by the Group are as follows:

Certificate for the Use of State-owned Land

Pre-sale Permit

Business Licence

Yes

Yes

Yes

APPENDIX IV

PROPERTY VALUATION ON THE ENLARGED GROUP

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2005
7. 7 unsold units of Fumin Building, Fujiang Road, Futian District, Shenzhen City, Guangdong Province	<p>Fumin Building is a residential development erected on a site with a site area of approximately 7,323.42 sq.m. (78,829 sq.ft.) completed in 2002.</p> <p>The property comprises 7 unsold residential units of Fumin Building with a total gross floor area of 763.34 sq.m. (8,217 sq.ft.).</p> <p>The land use rights of the property has been granted for an unspecified term for residential uses.</p>	The property is currently vacant.	No commercial value

Notes:

- (1)

Shenzhen Properties & Resources Development (Group) Limited has not obtained proper title documents for the property.
- (2)

According to Business Licence No. 4403011027229, Shenzhen Properties & Resources Development (Group) Limited, a company listed on the Shenzhen Stock Exchange, was established with a registered capital of RMB541,799,175.
- (3)

According to the legal opinion of the PRC lawyer, Guangdong Yeasun Law Firm:

(i)

Shenzhen Properties & Resources Development (Group) Limited is not in possession of proper legal title and has not obtained the building ownership rights of the property with a total gross floor area of 763.34 sq.m. for residential use.

(ii)

Shenzhen Properties & Resources Development (Group) Limited is not entitled to transfer the property to third parties.
- (4)

The status of title and grant of major approvals and licences in accordance with the PRC legal opinion and information provided by the Group are as follows:

Real Estate Title Certificate

No

Business Licence

Yes

APPENDIX IV

PROPERTY VALUATION ON THE ENLARGED GROUP

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2005																								
8. 15 Shops on Level 1, Whole Levels 2 and 3 and 47 Carparks Xinda Commercial Building, Xinda District, No. 48 Guomao Avenue, Haikou City, Hainan Province	<p>Xinda Commercial Building is erected on a site with a site area of 11,694 sq.m. (125,874 sq.ft.), comprising a total gross floor area of 55,204 sq.m. (594,216 sq.ft.) completed in 1990s.</p> <p>The property comprises the unsold portions of Xinda Commercial Building with a total gross floor area as follows:</p> <table><tr><th>Portion</th><th colspan="2">Approximate Gross Floor Area</th></tr><tr><td></td><th>sq.m.</th><th>sq.ft.</th></tr><tr><td>17 shop units</td><td></td><td></td></tr><tr><td>on level 1</td><td>192.08</td><td>2,068</td></tr><tr><td>Level 2</td><td>2,754.64</td><td>29,651</td></tr><tr><td>Level 3</td><td>2,854.21</td><td>30,723</td></tr><tr><td>47 carparks</td><td>1,879.74</td><td>20,234</td></tr><tr><td></td><td><u>7,680.67</u></td><td><u>82,676</u></td></tr></table>	Portion	Approximate Gross Floor Area			sq.m.	sq.ft.	17 shop units			on level 1	192.08	2,068	Level 2	2,754.64	29,651	Level 3	2,854.21	30,723	47 carparks	1,879.74	20,234		<u>7,680.67</u>	<u>82,676</u>	The property is currently vacant.	RMB22,336,000
Portion	Approximate Gross Floor Area																										
	sq.m.	sq.ft.																									
17 shop units																											
on level 1	192.08	2,068																									
Level 2	2,754.64	29,651																									
Level 3	2,854.21	30,723																									
47 carparks	1,879.74	20,234																									
	<u>7,680.67</u>	<u>82,676</u>																									
	<p>The land use rights of the property has been granted for an unspecified term for commercial/carpark uses.</p>																										

Notes:

- (1) According to 64 Real Estate Title Certificates, the land use rights and legal title of the property, comprising a total gross floor area of 7,680.67 sq.m., has been granted to Hainan Xinda Development Company for an unspecified term for commercial/carpark uses.
- (2) According to Business Licence No. 4600001002271, Hainan Xinda Development Company was, a wholly owned subsidiary of Shenzhen Properties Group, established with a registered capital of RMB20,000,000.
- (3) According to the legal opinion of the PRC lawyer, Guangdong Yeasun Law Firm:

(i) Hainan Xinda Development Company is in possession of proper legal title and has obtained the building ownership rights of the property with a total gross floor area of 7,860.67 sq.m. for commercial/carpark uses.

(ii) Hainan Xinda Development Company is entitled to occupy, use and handle the property and has the capacity to sell the property.

(iii) The property is free from mortgage, free from encumbrances and can be freely transferred, leased or mortgaged.

(4) The status of title and grant of major approvals and licences in accordance with the PRC legal opinion and information provided by the Group are as follows:

Real Estate Title Certificate	Yes
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION ON THE ENLARGED GROUP

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2005
9. The unsold portion of I-V of Shanghai Pastoral City, Lane 3151, Yindu Road, Minghang District, Shanghai	<p>Shanghai Pastoral City is a residential development with 5 phases completed in 1990s.</p> <p>The property comprises 47 unsold residential units of Shanghai Pastoral City with a total gross floor area of 6,146.02 sq.m. (66,156 sq.ft.).</p> <p>The land use rights of the property has been granted for a term of 70 years for residential use.</p>	The property is currently vacant.	No commercial value

Notes:

- (1)

Shanghai Shenzhen Property Development Co., Ltd. has not obtained proper title documents for the property.
- (2)

According to Business Licence No. 3101121023093, Shanghai Shenzhen Property Development Co., Ltd., a wholly owned subsidiary of Shenzhen Properties Group, was established with a registered capital of RMB50,000,000.
- (3)

According to the legal opinion of the PRC lawyer, Guangdong Yeasun Law Firm:

(i)

Shanghai Shenzhen Property Development Co., Ltd. is not in possession of proper legal title and has not obtained the building ownership rights of the property with a total gross floor area of 6,146.02 sq.m. for residential and commercial uses.

(ii)

Shanghai Shenzhen Property Development Co., Ltd. is not entitled to transfer the property to third parties.
- (4)

The status of title and grant of major approvals and licences in accordance with the PRC legal opinion and information provided by the Group are as follows:

Real Estate Title Certificate	No
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION ON THE ENLARGED GROUP

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2005
10. The unsold portion of Phase I of Fengrun Garden, Renmin Road, Longhua Town, Shenzhen City, Guangdong Province	<p>Phase I of Fengrun Garden comprises various blocks of multi-storey residential buildings and villas with a total gross floor area of 80,000 sq.m. (861,120 sq.ft.) completed between 1993 and 1994.</p> <p>The unsold portion of Phase I of Fengrun Garden comprises 3 residential units and 1 villa with a total gross floor area of 573.59 sq.m. (6,174 sq.ft.).</p> <p>The land use rights of the property has been granted for a term of 70 years for residential use.</p>	The property is currently vacant.	No commercial value

Notes:

- (1)

Shenzhen Property Project Development Co., Ltd. has not obtained proper title documents for the property.
- (2)

According to Business Licence No. 4403011019666, Shenzhen Property Project Development Co., Ltd., a wholly owned subsidiary of Shenzhen Properties Group, was established with a registered capital of RMB30,950,000.
- (3)

According to the legal opinion of the PRC lawyer, Guangdong Yeasun Law Firm:

(i)

Shenzhen Property Project Development Co., Ltd. is not in possession of proper legal title and has obtained the building ownership rights of the property with a total gross floor area of 573.59 sq.m. for residential uses.

(ii)

Shenzhen Property Project Development Co., Ltd. is not entitled to transfer the property to third parties.
- (4)

The status of title and grant of major approvals and licences in accordance with the PRC legal opinion and information provided by the Group are as follows:

Real Estate Title Certificate	No
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION ON THE ENLARGED GROUP

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2005														
11. The unsold portion of Fenghe Rili, Renmin Road, Longhua Town, Shenzhen City, Guangdong Province	<p>Fenghe Rili is a residential development consists of 4 Groups, namely Group A, B, C, and D erected on a site with a site area of 88,174 sq.m. (949,105 sq.ft.) completed in 2000s.</p> <p>The property comprises the unsold portion of Fenghe Rili with a total gross floor area as follows:</p> <table><tr><th rowspan="2">Portion</th><th colspan="2">Approximate Gross Floor Area</th></tr><tr><th>sq.m.</th><th>sq.ft.</th></tr><tr><td>1 unsold residential unit of Group A</td><td>88.64</td><td>954</td></tr><tr><td>3 unsold shop units of Group D</td><td>115.66</td><td>1,245</td></tr><tr><td></td><td>204.30</td><td>2,199</td></tr></table> <p>The land use rights of the property has been granted for a term of 70 years due to expire on 27 December 2065 for residential use.</p>	Portion	Approximate Gross Floor Area		sq.m.	sq.ft.	1 unsold residential unit of Group A	88.64	954	3 unsold shop units of Group D	115.66	1,245		204.30	2,199	The property is currently vacant.	No commercial value
Portion	Approximate Gross Floor Area																
	sq.m.	sq.ft.															
1 unsold residential unit of Group A	88.64	954															
3 unsold shop units of Group D	115.66	1,245															
	204.30	2,199															

Notes:

- (1)

Shenzhen Property Project Development Co., Ltd. has not obtained proper title documents for the property.
- (2)

According to Business Licence No. 4403011019666, Shenzhen Property Project Development Co., Ltd., a wholly owned subsidiary of Shenzhen Properties Group, was established with a registered capital of RMB30,950,000.
- (3)

According to the legal opinion of the PRC lawyer, Guangdong Yeasun Law Firm:

(i)

Shenzhen Property Project Development Co., Ltd. is not in possession of proper legal title and has not obtained the building ownership rights of the property.

- (ii)

Shenzhen Property Project Development Co., Ltd. is not entitled to transfer the property to third parties.
- (4)

The status of title and grant of major approvals and licences in accordance with the PRC legal opinion and information provided by the Group are as follows:

Real Estate Title Certificate	No
Business Licence	Yes

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2005															
12. The unsold office units of the Office Building, the unsold shop units of the Commercial Podium, Huangcheng Plaza, Huanggang Road, Futian District, Shenzhen City, Guangdong Province	<p>Huangcheng Plaza is a commercial/office/residential development erected on a site with a site area of 21,463 sq.m. (231,027 sq.ft.) completed in 1996 to 1997.</p> <p>The property comprises the unsold portions of Huangcheng Plaza with a total gross floor area as follows:</p> <table><tr><th>Portion</th><th colspan="2">Approximate Gross Floor Area</th></tr><tr><td></td><th>sq.m.</th><th>sq.ft.</th></tr><tr><td>Unsold office units of Office Building</td><td>15,007.62</td><td>161,542</td></tr><tr><td>Unsold shop units of Commercial Podium</td><td>23,825.76</td><td>256,460</td></tr><tr><td></td><td><u>38,833.38</u></td><td><u>418,002</u></td></tr></table>	Portion	Approximate Gross Floor Area			sq.m.	sq.ft.	Unsold office units of Office Building	15,007.62	161,542	Unsold shop units of Commercial Podium	23,825.76	256,460		<u>38,833.38</u>	<u>418,002</u>	The property is currently vacant.	RMB197,389,000
Portion	Approximate Gross Floor Area																	
	sq.m.	sq.ft.																
Unsold office units of Office Building	15,007.62	161,542																
Unsold shop units of Commercial Podium	23,825.76	256,460																
	<u>38,833.38</u>	<u>418,002</u>																
	<p>The land use rights of the property has been granted for a term of 70 years from 1 May 1991 to 1 May 2061 for commercial/residential composite uses.</p>																	

Notes:

- (1) According to Real Estate Title Certificate No. 3000016501 dated 29 January 1999 and issued by Shenzhen Planning and Land Resources Bureau, the land use rights and legal title of Huangcheng Plaza has been granted to Shenzhen Huangcheng Real Estate Co., Ltd. for a term of 70 years from 1 May 1991 to 1 May 2061 and for commercial/residential composite use.
- Portion of the office and commercial with a gross floor area of 8,040.16 sq.m. and 20,857.67 sq.m. have been issued the Real Estate Title Certificate. Among this portion, 6,436.84 sq.m. of office and 15,703.91 sq.m. of commercial are free from encumbrances and can be freely transferred, leased or mortgaged to third parties. 341.79 sq.m. of office and 304.99 sq.m. of commercial are under seizure and cannot be transferred, leased and mortgaged to third parties and thus we have assigned no commercial value. Another 1,261.53 sq.m. of office is subject to mortgage and under seizure, which cannot be transferred, leased and mortgaged to third parties and thus we have assigned no commercial value. 4,848.77 sq.m. of commercial is subject to

mortgage. Before the release of the mortgage, this 4,848.77 sq.m. cannot be freely transferred or leased to third parties without the consent of the mortgagee.

The other portion of the property with a gross floor area of 4,988.99 sq.m. for office and 395.82 sq.m. for commercial have not been issued the Real Estate Title Certificate for each unit separately. Before obtaining the Real Estate Title Certificate for each unit separately, these units can be freely transferred to third parties only and cannot be leased or mortgaged to third parties.

The remaining portion of office and commercial with a gross floor area of 1,978.47 sq.m. and 2,572.27 sq.m. respectively are pending for confirmation of ownership by Shenzhen Huangchen Real Estate Co. Ltd. and cannot be transferred, leased and mortgaged to third parties. We have therefore assigned no commercial value to this portion.

- (2) According to Business Licence No. 4403011027189, Shenzhen Huangcheng Real Estate Co., Ltd., a wholly owned subsidiary of Shenzhen Properties Group, was established with a registered capital of RMB30,000,000.
- (3) According to the legal opinion of the PRC lawyer, Guangdong Yeasun Law Firm:

(i) Shenzhen Huangcheng Real Estate Co., Ltd. is in possession of proper legal title and has obtained the building ownership rights of the property with a total gross floor area of 33,635.86 sq.m. for commercial/residential composite uses.

(ii) Portion of the office and commercial with a gross floor area of 8,040.16 sq.m. and 20,857.67 sq.m. have been issued the Real Estate Title Certificate. Among this portion, 6,436.84 sq.m. of office and 15,703.91 sq.m. of commercial are free from encumbrances and can be freely transferred, leased or mortgaged to third parties. 341.79 sq.m. of office and 304.99 sq.m. of commercial are under seizure and cannot be transferred, leased and mortgaged to third parties. Another 1,261.53 sq.m. of office is subject to mortgage and under seizure, which cannot be transferred, leased and mortgaged to third parties. 4,848.77 sq.m. of commercial is subject to mortgage. Before the release of the mortgage, this 4,848.77 sq.m. cannot be freely transferred or leased to third parties without the consent of the mortgagee.

(iii) The other portion of the property with a gross floor area of 4,988.99 sq.m. for office and 395.82 sq.m. for commercial have not been issued the Real Estate Title Certificate for each unit separately. Before obtaining the Real Estate Title Certificate for each unit separately, these units can be freely transferred to third parties only and cannot be leased or mortgaged to third parties.

(iv) The remaining portion of office and commercial with a gross floor area of 1,978.47 sq.m. and 2,572.27 sq.m. respectively are pending for confirmation of ownership by Shenzhen Huangchen Real Estate Co. Ltd. and cannot be transferred, leased and mortgaged to third parties.
- (4) The status of title and grant of major approvals and licences in accordance with the PRC legal opinion and information provided by Shenzhen Properties are as follows:

Real Estate Title Certificate	Yes, (partly)
Contract for Grant of Land use Rights	Yes
Red-line Drawing	Yes
Business Licence	Yes

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2005																		
13. The unsold residential units of the Residential Buildings, the unsold shop units of the Commercial Podium, District A of Huangyu Yuan, Huanggang Road, Futian District, Shenzhen City, Guangdong Province	<p>District A of Huangyu Yuan is a commercial/residential development erected on a site with a site area of 17,590.40 sq.m. (189,343 sq.ft.) completed in 2001.</p> <p>The property comprises the unsold portions of District A of Huangyu Yuan with a total gross floor area as follows:</p> <table><tr><th>Portion</th><th colspan="2">Approximate Gross Floor Area</th></tr><tr><td></td><td>sq.m.</td><td>sq.ft.</td></tr><tr><td>Unsold residential units of Residential Buildings</td><td>5,991.59</td><td>64,493</td></tr><tr><td>Unsold shop units of Commercial Podium</td><td>5,658.26</td><td>60,906</td></tr><tr><td>Club house</td><td>251.26</td><td>2,705</td></tr><tr><td></td><td><u>11,901.11</u></td><td><u>128,104</u></td></tr></table> <p>The land use rights of the property has been granted for a term of 70 years from 1 May 1991 to 1 May 2061 for commercial/residential uses.</p>	Portion	Approximate Gross Floor Area			sq.m.	sq.ft.	Unsold residential units of Residential Buildings	5,991.59	64,493	Unsold shop units of Commercial Podium	5,658.26	60,906	Club house	251.26	2,705		<u>11,901.11</u>	<u>128,104</u>	The property is currently vacant.	RMB60,980,000
Portion	Approximate Gross Floor Area																				
	sq.m.	sq.ft.																			
Unsold residential units of Residential Buildings	5,991.59	64,493																			
Unsold shop units of Commercial Podium	5,658.26	60,906																			
Club house	251.26	2,705																			
	<u>11,901.11</u>	<u>128,104</u>																			

Notes:

- (1) According to Real Estate Title Certificate No. 3000096266 dated 25 December 2001 and issued by Shenzhen Planning and Land Resources Bureau, the land use rights and legal title of District A of Huangyu Yuan has been granted to Shenzhen Huangcheng Real Estate Co., Ltd. for a term of 70 years from 1 May 1991 to 1 May 2061 and for commercial/residential uses.
- Portion of the commercial with a gross floor area of 5,462.68 sq.m. has been issued the Real Estate Title Certificate and among this portion, 2,703.34 sq.m. is subject to mortgage.
- The other portion of the property with a gross floor area of 3,339.77 sq.m. for residential has not been issued the Real Estate Title Certificate for each unit separately. Before obtaining the Real Estate Title Certificate for each unit separately, these units can be freely transferred to third parties only and cannot be leased or mortgaged to third parties.

The remaining portion of residential and commercial with a gross floor area of 2,651.82 sq.m. and 195.58 sq.m. respectively are pending for confirmation of ownership by Shenzhen Huangchen Real Estate Co. Ltd. and cannot be transferred, leased and mortgaged to third parties. We have assigned no commercial value to this portion.

- (2) According to Business Licence No. 4403011027189, Shenzhen Huangcheng Real Estate Co., Ltd., a wholly owned subsidiary of Shenzhen Properties Group, was established with a registered capital of RMB30,000,000.
- (3) According to the legal opinion of the PRC lawyer, Guangdong Yeasun Law Firm:

(i) Shenzhen Huangcheng Real Estate Co., Ltd. is in possession of proper legal title and has obtained the building ownership rights of the property with a total gross floor area of 8,802.45 sq.m. for commercial/residential uses.

(ii) Portion of the commercial with a gross floor area of 5,462.68 sq.m. has been issued the Real Estate Title Certificate. Among this portion, 2,703.34 sq.m. is subject to mortgage. Before the release of the mortgage, this 2,703.34 sq.m. cannot be freely transferred or leased to third parties without the consent of the mortgagee. The remaining 2,759.64 sq.m. is free from encumbrances and can be freely transferred, leased or mortgaged to third parties.

(iii) The other portion of the property with a gross floor area of 3,339.77 sq.m. for residential has not been issued the Real Estate Title Certificate for each unit separately. Before obtaining the Real Estate Title Certificate for each unit separately, these units can be freely transferred to third parties only and cannot be leased or mortgaged to third parties.

(iv) The remaining portion of residential and commercial with a gross floor area of 2,651.82 sq.m. and 195.58 sq.m. respectively are pending for confirmation of ownership by Shenzhen Huangchen Real Estate Co. Ltd. and cannot be transferred, leased and mortgaged to third parties.
- (4) The status of title and grant of major approvals and licences in accordance with the PRC legal opinion and information provided by Shenzhen Properties are as follows:

Real Estate Title Certificate	Yes, (partly)
Contract for Grant of Land use Rights	Yes
Red-line Drawing	Yes
Business Licence	Yes

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2005															
14. The unsold residential units of the Residential Buildings, District B of Huangyu Yuan, Huanggang Road, Futian District, Shenzhen City, Guangdong Province	<p>District B of Huangyu Yuan is a commercial/residential development erected on a site with a site area of 36,190 sq.m. (389,549 sq.ft.) completed in 2001.</p> <p>The property comprises the unsold portions of District B of Huangyu Yuan with a total gross floor area as follows:</p> <table><tr><th>Portion</th><th colspan="2">Approximate Gross Floor Area</th></tr><tr><td></td><th>sq.m.</th><th>sq.ft.</th></tr><tr><td>Unsold residential units of Residential Buildings</td><td>43,680.97</td><td>470,182</td></tr><tr><td>Unsold shop units of Commercial Podium</td><td>6,107.93</td><td>49,789</td></tr><tr><td></td><td><u>49,788.90</u></td><td><u>519,971</u></td></tr></table> <p>The land use rights of the property has been granted for a term of 70 years from 1 May 1991 to 1 May 2061 for residential use.</p>	Portion	Approximate Gross Floor Area			sq.m.	sq.ft.	Unsold residential units of Residential Buildings	43,680.97	470,182	Unsold shop units of Commercial Podium	6,107.93	49,789		<u>49,788.90</u>	<u>519,971</u>	The property is currently vacant.	RMB161,829,000
Portion	Approximate Gross Floor Area																	
	sq.m.	sq.ft.																
Unsold residential units of Residential Buildings	43,680.97	470,182																
Unsold shop units of Commercial Podium	6,107.93	49,789																
	<u>49,788.90</u>	<u>519,971</u>																

Notes:

- (1) According to Real Estate Title Certificate No. 3000252787 issued by Shenzhen Planning and Land Resources Bureau, the land use rights and legal title of District B of Huangyu Yuan with a total site area of 123,589.84 sq.m. has been granted to Shenzhen Huangcheng Real Estate Co., Ltd. for a term of 70 years from 1 May 1991 to 1 May 2061 and for commercial/residential use.
- Portion of the residential and commercial with a gross floor area of 16,709.42 sq.m. and 6,107.93 sq.m. respectively are pending for confirmation of ownership by Shenzhen Huangchen Real Estate Co. Ltd. We have assigned no commercial value to this portion.
- The remaining portion of the property with a gross floor area of 26,971.55 sq.m. has not been issued the Real Estate Title Certificate for each unit separately. According to legal opinion, before obtaining the Real Estate Title Certificate for each unit separately, these units can be freely transferred to third parties only and cannot be leased or mortgaged to third parties.
- (2) According to Business Licence No. 4403011027189, Shenzhen Huangcheng Real Estate Co., Ltd., a wholly owned subsidiary of Shenzhen Properties Group, was established with a registered capital of RMB30,000,000.

- (3) According to the legal opinion of the PRC lawyer, Guangdong Yeasun Law Firm:
- (i) Shenzhen Huangcheng Real Estate Co., Ltd. is in possession of proper legal title and has obtained the land use rights of the property for commercial/residential uses.

(ii) Portion of the residential and commercial with a gross floor area of 16,709.42 sq.m. and 6,107.93 sq.m. respectively are pending for confirmation of ownership by Shenzhen Huangchen Real Estate Co. Ltd. and cannot be transferred, leased and mortgaged to third parties

(iii) The remaining portion of the property with a gross floor area of 26,971.55 sq.m. has not been issued the Real Estate Title Certificate for each unit separately. Before obtaining the Real Estate Title Certificate for each unit separately, these units can be freely transferred to third parties only and cannot be leased or mortgaged to third parties.
- (4) The status of title and grant of major approvals and licences in accordance with the PRC legal opinion and information provided by Shenzhen Properties are as follows:
- Real Estate Title Certificate

Yes (For land portion only)

Red-line Drawing

Yes

Business Licence

Yes

Group IV — Property interests held under development by Shenzhen Properties Group in the PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2005
1. Phase II of Fuchang Building, Fujiang Road, Futian District, Shenzhen City, Guangdong Province	<p>The property comprises a site with a site area of 4,753.65 sq.m. (51,168 sq.ft.).</p> <p>The property is planned to be developed into a residential development with a total gross floor area of 33,679.18 sq.m. (362,523 sq.ft.) scheduled for completion in 2006.</p> <p>The land use rights of the property has been granted for a term due to expire on 8 July 2040 for residential use.</p>	The property is currently under construction.	No commercial value

Notes:

- (1)

According to Grant Contract of Land Use Rights No. (90)036 dated 26 April 1990 and the Supplemental Agreement dated 17 November 1998, the land use rights of the property has been granted to Shenzhen Properties & Resources Development (Group) Limited as follows:

(i)

Site area

:

165,386 sq.m.

(ii)

Uses

:

Border Service Living Zone

(iii)

Land use term

:

From 8 April 1990 to 8 July 2040

As advised by the Group, the property is part of the said land.
- (2)

According to Business Licence No. 4403011027229, Shenzhen Properties & Resources Development (Group) Limited, a company listed on the Shenzhen Stock Exchange, was established with a registered capital of RMB541,799,175.
- (3)

As advised by the Group, the total construction costs expended as at 30 April 2005 was approximately RMB5,680,000 and the outstanding costs to complete the development was approximately RMB80,850,000. In the course of our valuation, we have taken into account such consideration costs.
- (4)

If a valid property title is obtained, the capital value when completed of the proposed development is approximately RMB198,000,000.

- (5) According to the legal opinion of the PRC lawyer, Guangdong Yeasun Law Firm:
- (i) Shenzhen Properties & Resources Development (Group) Limited has not obtained the Certificate for the use of State-owned land and is not in possession of proper legal title of the property.

(ii) Shenzhen Properties & Resources Development (Group) Limited is not entitled to transfer the property to third parties.
- (6) The status of title and grant of major approvals and licences in accordance with the PRC legal opinion and information provided by the Group are as follows:
- Certificate for the Use of State-owned Land

Contract for Grant of Land use Rights

Business Licence

No

Yes

Yes

APPENDIX IV

PROPERTY VALUATION ON THE ENLARGED GROUP

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2005
2. Group B of Fenghe Rili, Renmin Road, Longhua Town, Shenzhen City, Guangdong Province	<p>Fenghe Rili is a residential development consists of 4 Groups, namely Group A, B, C, and D. Group B of Fenghe Rili comprises a site with a site area of 21,138.90 sq.m. (227,539 sq.ft.).</p> <p>The property is planned to be developed into a residential development with a total gross floor area of 88,174 sq.m. (949,105 sq.ft.) scheduled for completion in 2007.</p> <p>The land use rights of the property has been granted for a term of 70 years due to expire on 27 December 2065 for commercial/residential composite use.</p>	The property is currently under construction.	RMB70,990,000

Notes:

- (1)

According to Certificate for the Use of State-owned Land No. 5000116764, the land use rights of the property, comprising a site area of 21,138.90 sq.m., has been granted to Shenzhen Property Project Development Co., Ltd. for a term of 70 years due to expire on 27 December 2065 for commercial/residential composite use.
- (2)

According to Business Licence No. 4403011019666, Shenzhen Property Project Development Co., Ltd., a wholly owned subsidiary of Shenzhen Properties Group, was established with a registered capital of RMB30,950,000.
- (3)

As advised by the Group, the total construction costs expended as at 30 April 2005 was approximately RMB10,400,000 and the outstanding construction costs to complete the development was approximately RMB203,000,000. In the course of our valuation, we have taken into account such construction costs.
- (4)

The capital value when completed of the proposed development is approximately RMB405,000,000.
- (5)

According to the legal opinion of the PRC lawyer, Guangdong Yeasun Law Firm:

(i)

Shenzhen Property Project Development Co., Ltd. is in possession of proper legal title and has obtained the land use rights of the property with a total site area of 21,138.90 sq.m. for commercial/residential uses.

(ii)

Shenzhen Property Project Development Co., Ltd. is entitled to occupy, use and handle the property and has the capacity to sell the property.

(iii)

The property is free from mortgage, free from encumbrances and can be freely transferred, leased or mortgaged.

(6) The status of title and grant of major approvals and licences in accordance with the PRC legal opinion and information provided by the Group are as follows:

Certificate for the Use of State-owned Land	Yes
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION ON THE ENLARGED GROUP

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2005
3. Lot A, District C of Huangyu Yuan, Fuhua Road Huanggang Port Futian District, Shenzhen City, Guangdong Province	<p>Lot A, District C of Huangyu Yuan comprises a site with a site area of 18,672.88 sq.m. (200,995 sq.ft.).</p> <p>The property is planned to be developed into a residential development with a total gross floor area of 70,000 sq.m. (753,480 sq.ft.) scheduled for completion in 2007.</p> <p>The land use rights of the property has been granted for a term of 70 years from 1 May 1991 to 30 April 2061 for commercial/residential/ancillary uses.</p>	The property is currently under construction.	RMB96,900,000

Notes:

- (1)

According to Real Estate Title Certificate No. 3000252787, the land use rights a piece of land, comprising a site area of 123,589.84 sq.m., has been granted to Shenzhen Huangcheng Real Estate Co., Ltd. for a term of 70 years from 1 May 1991 to 30 April 2061 for commercial/residential/ancillary.
- (2)

According to Supplement to Grant Contract of Land Use Rights No. (1991) 008 dated 24 April 2002, the land use rights of the property has been granted to Shenzhen Huangcheng Real Estate Co., Ltd. as follows:

(i)

Location

:

Lot Nos. B106-0051, B106-0052

(ii)

Site area

:

136,225.40 sq.m.

(iii)

Uses

:

Commercial/residential/ancillary

(iv)

Land use term

:

70 years

(v)

Total gross floor area

:

681,000 sq.m.

As advised by the Group, the property, Lot A, District C of Huangyu Yuan is part of the said land.

- (3)

According to Business Licence No. 4403011027189, Shenzhen Huangcheng Real Estate Co., Ltd., a wholly owned subsidiary of Shenzhen Properties Group, was established with a registered capital of RMB30,000,000.
- (4)

As advised by the Group, the total construction costs expended as at 30 April 2005 was approximately RMB3,300,000 and the outstanding construction costs to complete the development was approximately RMB174,000,000. In the course of our valuation, we have taken into account such construction costs.

- (5)

The capital value when completed of the proposed development is approximately RMB389,700,000.
- (6)

According to the legal opinion of the PRC lawyer, Guangdong Yeasun Law Firm:

(i)

Shenzhen Huangcheng Real Estate Co., Ltd. is in possession of proper legal title and has obtained the land use rights of the property with a total site area of 18,672.88 sq.m. for commercial/residential/ancillary uses.

(ii)

Shenzhen Huangcheng Real Estate Co., Ltd. is entitled to occupy, use and handle the property and has the capacity to sell the property.

(iii)

The property is free from mortgage, free from encumbrances and can be freely transferred, leased or mortgaged.
- (7)

The status of title and grant of major approvals and licences in accordance with the PRC legal opinion and information provided by the Group are as follows:

Real Estate Title Certificate	Yes
Contract for Grant of Land use Rights	Yes
Red-line Drawing	Yes
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION ON THE ENLARGED GROUP

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2005
3a. Lot B, District C of Huangyu Yuan, Fuhua Road Huanggang Port Futian District, Shenzhen City, Guangdong Province	<p>Lot B, District C of Huangyu Yuan comprises a site with a site area of 11,987.12 sq.m. (129,029 sq.ft.).</p> <p>The property is planned to be developed into a residential development with a total gross floor area of 71,400 sq.m. (768,550 sq.ft.) scheduled for completion in 2007.</p> <p>The land use rights of the property has been granted for a term of 70 years from 1 May 1991 to 30 April 2061 for commercial/residential/ancillary uses.</p>	The property is currently under construction.	RMB142,760,000

Notes:

- (1)

According to Real Estate Title Certificate No. 3000252787, the land use rights a piece of land, comprising a site area of 123,589.84 sq.m., has been granted to Shenzhen Huangcheng Real Estate Co., Ltd. for a term of 70 years from 1 May 1991 to 30 April 2061 for commercial/residential/ancillary.
- (2)

According to Supplement to Grant Contract of Land Use Rights No. (1991) 008 dated 24 April 2002, the land use rights of the property has been granted to Shenzhen Huangcheng Real Estate Co., Ltd. as follows:

(i)

Location

:

Lot Nos. B106-0051, B106-0052

(ii)

Site area

:

136,225.40 sq.m.

(iii)

Uses

:

Commercial/residential/ancillary

(iv)

Land use term

:

70 years

(v)

Total gross floor area

:

681,000 sq.m.

As advised by the Group, the property, Lot B, District C of Huangyu Yuan is part of the said land.

- (3)

According to Business Licence No. 4403011027189, Shenzhen Huangcheng Real Estate Co., Ltd., a wholly owned subsidiary of Shenzhen Properties Group, was established with a registered capital of RMB30,000,000.
- (4)

As advised by the Group, the total construction costs expended as at 30 April 2005 was approximately RMB3,300,000 and the outstanding construction costs to complete the development was approximately RMB216,000,000. In the course of our valuation, we have taken into account such construction costs.

- (5)

The capital value when completed of the proposed development is approximately RMB515,680,000.
- (6)

According to the legal opinion of the PRC lawyer, Guangdong Yeasun Law Firm:

(i)

Shenzhen Huangcheng Real Estate Co., Ltd. is in possession of proper legal title and has obtained the land use rights of the property with a total site area of 11,987.12 sq.m. for commercial/residential/ancillary uses.

(ii)

Shenzhen Huangcheng Real Estate Co., Ltd. is entitled to occupy, use and handle the property and has the capacity to sell the property.

(iii)

The property is free from mortgage, free from encumbrances and can be freely transferred, leased or mortgaged.
- (7)

The status of title and grant of major approvals and licences in accordance with the PRC legal opinion and information provided by the Group are as follows:

Real Estate Title Certificate	Yes
Contract for Grant of Land use Rights	Yes
Red-line Drawing	Yes
Business Licence	Yes

Group V

—

Property interests held for future development by Shenzhen Properties Group in the PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2005
1. A plot of land situated at Caitian Road North, Futian District, Shenzhen City, Guangdong Province	<p>The property comprises a plot of land with a site area of 4,398 sq.m. (47,340 sq.ft.)</p> <p>The site is planned to be built into a residential development with a total gross floor area of 26,400 sq.m. (284,170 sq.ft.) scheduled for completion in 2006.</p> <p>The land use rights of the property have been granted for a term of 70 years due to expire on 14 April 2068 for residential use.</p>	The property is currently a vacant site.	No commercial value

Notes:

- (1) According to Grant Contract for State-owned Land Use Rights No. (98) 2021, the land use rights of the property has been granted to Shenzhen Properties & Resources Development (Group) Limited with details as follows:
- (i) Site area

:

4,398 sq.m.
- (ii) Use

:

Residential
- (iii) Land use term

:

70 years from 15 April 1998 to 14 April 2068
- (iv) Land grant fee

:

RMB1,182,360
- (2) According to Planning Permit for Construction Use of Land No. 01-1990-0226 issued on 9 November 1999, the property has been permitted for development with a construction scale of 26,400 sq.m.
- (3) According to Business Licence No. 4403011027229, Shenzhen Properties & Resources Development (Group) Limited, a company listed on the Shenzhen Stock Exchange, was established with a registered capital of RMB541,799,175.
- (4) According to the legal opinion of the PRC lawyer, Guangdong Yeasun Law Firm:
- (i) Shenzhen Properties & Resources Development (Group) Limited has not obtained the Certificate for the use of State-owned Land and is not in possession of proper legal title.

- (ii)

Shenzhen Properties & Resources Development (Group) Limited is not entitled to transfer the property to third parties.
- (5)

The status of title and grant of major approvals and licences in accordance with the PRC legal opinion and information provided by the Group are as follows:

Certificate for the Use of State-owned Land	No
Contract for Grant of Land use Rights	Yes
Red-line Drawing	Yes
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION ON THE ENLARGED GROUP

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2005
2. A plot of land situated at Pinghu Village, Pinghu Town, Baoan District, Shenzhen City, Guangdong Province	<p>The property comprises a plot of land with a site area of 10,000 sq.m. (107,640 sq.ft.)</p> <p>The land use rights of the property have been granted for a term of 50 years due to expire on 8 August 2042 for industrial and warehouse uses.</p>	The property is currently a vacant site.	RMB2,400,000

Notes:

- (1)

According to 2 Certificates for the Use of State-owned Land Nos. 101064 and 101062 dated 10 January 1995, the land use rights of the property, comprising a total site area of 65,714.10 sq.m., has been granted to Shenzhen Properties & Resources Development (Group) Limited for a term of 50 years from 8 August 1992 to 8 August 2042 for industrial and warehouse uses.

As advised by the Group, the property comprises a portion of the said land with a site area of 10,000 sq.m.
- (2)

According to Business Licence No. 4403011027229, Shenzhen Properties & Resources Development (Group) Limited, a company listed on the Shenzhen Stock Exchange, was established with a registered capital of RMB541,799,175.
- (3)

According to the legal opinion of the PRC lawyer, Guangdong Yeasun Law Firm:

(i)

Shenzhen Properties & Resources Development (Group) Limited is in possession of proper legal title and has obtained the land use rights of the property with a total site area of 65,714.10 sq.m. for industrial and warehouse uses.

(ii)

Shenzhen Properties & Resources Development (Group) Limited is entitled to occupy, use and handle the property and has the capacity to sell the property.

(iii)

The property is free from mortgage, free from encumbrances and can be freely transferred, leased or mortgaged.
- (4)

The status of title and grant of major approvals and licences in accordance with the PRC legal opinion and information provided by the Group are as follows:

Certificate for the Use of State-owned Land	Yes
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION ON THE ENLARGED GROUP

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2005
3. A plot of land situated at Shenhui Garden, Shijiaoxia, Danshui Town, Huiyang District, Shenzhen City, Guangdong Province	<p>The property comprises a plot of land with a site area of 17,700 sq.m. (190,523 sq.ft.)</p> <p>The land use rights of the property have been granted for a term of due to expire on 24 April 2062 for composite and residential uses.</p>	The property is currently a vacant site.	RMB6,500,000

Notes:

- (1)

According to 3 Certificates for the Use of State-owned Land Nos. (2001) 1321100257, (2001) 132110258 and (2001) 132110259 dated 16 February 2001, the land use rights of the property, comprising a total site area of 17,700 sq.m., has been granted to Shenzhen Properties & Resources Development (Group) Limited for a term due to expire on 24 April 2062 for composite and residential uses.
- (2)

According to Business Licence No. 4403011027229, Shenzhen Properties & Resources Development (Group) Limited, a company listed on the Shenzhen Stock Exchange, was established with a registered capital of RMB541,799,175.
- (3)

According to the legal opinion of the PRC lawyer, Guangdong Yeasun Law Firm:

(i)

Shenzhen Properties & Resources Development (Group) Limited is in possession of proper legal title and has obtained the land use rights of the property with a total site area of 17,700 sq.m. for composite and residential uses.

(ii)

Shenzhen Properties & Resources Development (Group) Limited is entitled to occupy, use and handle the property and has the capacity to sell the property.

(iii)

The property is free from mortgage, free from encumbrances and can be freely transferred, leased or mortgaged.
- (4)

The status of title and grant of major approvals and licences in accordance with the PRC legal opinion and information provided by the Group are as follows:

Certificate for the Use of State-owned Land

Yes

Business Licence

Yes

APPENDIX IV

PROPERTY VALUATION ON THE ENLARGED GROUP

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2005
4. A plot of land situated at Haidian Island Eastern Development Zone, Haikou City, Hainan Province	<p>The property comprises a plot of land with a site area of 29,017.04 sq.m. (312,339 sq.ft.)</p> <p>The site is planned to be built into a residential development with a total gross floor area of 28,900 sq.m. (311,080 sq.ft.) scheduled for completion in 2007.</p> <p>The land use rights of the property have been granted for a term due to expire on 11 April 2064 for residential use.</p>	The property is currently a vacant site.	RMB18,000,000

Notes:

- (1)

According to Certificate for the Use of State-owned Land No. (2004) 001230 dated 21 June 2004, the land use rights of the property, comprising a site area of 29,017.04 sq.m., has been granted to Hainan Xinda Development Company for a term of due to expire on 11 April 2064 for residential use.
- (2)

According to Planning Permit for Construction Use of Land No. 2004243, the property has been permitted for development with a plot ratio of 1.
- (3)

According to Business Licence No. 4600001002271, Hainan Xinda Development Company, a wholly owned subsidiary of Shenzhen Properties Group, was established with a registered capital of RMB20,000,000.
- (4)

According to the legal opinion of the PRC lawyer, Guangdong Yeasun Law Firm:

(i)

Hainan Xinda Development Company is in possession of proper legal title and has obtained the land use rights of the property with a total site area of 29,017.04 sq.m. for residential use.

(ii)

Hainan Xinda Development Company is entitled to occupy, use and handle the property and has the capacity to sell the property.

(iii)

The property is free from mortgage, free from encumbrances and can be freely transferred, leased or mortgaged.
- (5)

The status of title and grant of major approvals and licences in accordance with the PRC legal opinion and information provided by the Group are as follows:

Certificate for the Use of State-owned Land

Yes

Planning Permit for Construction Use of Land

Yes

Business Licence

Yes

APPENDIX IV

PROPERTY VALUATION ON THE ENLARGED GROUP

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2005
5. District E of Huangyu Yuan, Huanggang Road/Baihe Road, Huanggang Port, Huanggang District, Shenzhen City, Guangdong Province	<p>The property comprises a plot of land with a site area of 18,781.89 sq.m. (202,168 sq.ft.)</p> <p>The site is planned to be built into a residential/commercial development with a total gross floor area of 57,600 sq.m. (620,006 sq.ft.) scheduled for completion in 2007.</p> <p>The land use rights of the property has been granted for a term of 70 years from 12 December 2003 to 11 December 2073 for commercial/residential/ancillary uses.</p>	The property is currently a vacant site.	RMB114,200,000

Notes:

- (1)

According to Real Estate Title Certificate No. 3000248648 dated 12 April 2004, the land use rights of the property, comprising a site area of 18,781.89 sq.m., has been granted to Shenzhen Huangcheng Real Estate Co., Ltd. for a term of 70 years from 12 December 2003 to 11 December 2073 for commercial/residential/ancillary uses.
- (2)

According to Grant Contract of Land Use Rights No. (2003) 2030, the land use rights of the property has been granted to Shenzhen Huangcheng Real Estate Co., Ltd. as follows:

(i)

Location

:

Huanggang Road/Baihe Road

(ii)

Site area

:

18,781.89 sq.m.

(iii)

Uses

:

Commercial/residential/ancillary

(iv)

Land use term

:

70 years from 12 December 2003 to 11 December 2073

(v)

Plot ratio

:

3.07

(vi)

Gross floor area

:

57,600 sq.m.

(vii)

Land premium

:

RMB4,624,437

(3)

According to Business Licence No. 4403011027189, Shenzhen Huangcheng Real Estate Co., Ltd., a wholly owned subsidiary of Shenzhen Properties Group, was established with a registered capital of RMB30,000,000.

- (4) According to the legal opinion of the PRC lawyer, Guangdong Yeasun Law Firm:
- (i) Shenzhen Huangcheng Real Estate Co., Ltd. is in possession of proper legal title and has obtained the land use rights of the property with a total site area of 18,781.89 sq.m. for commercial/residential/ancillary use.

(ii) Shenzhen Huangcheng Real Estate Co., Ltd. is entitled to occupy, use and handle the property and has the capacity to sell the property.

(iii) The property is free from mortgage, free from encumbrances and can be freely transferred, leased or mortgaged.
- (5) The status of title and grant of major approvals and licences in accordance with the PRC legal opinion and information provided by the Group are as follows:

Real Estate Title Certificate	Yes
Contract for Grant of Land use Rights	Yes
Red-line Drawing	Yes
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION ON THE ENLARGED GROUP

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2005
5a. District D of Huangyu Yuan, Fuhua Road Huanggang Port Futian District, Shenzhen City, Guangdong Province	<p>District D of Huangyu Yuan comprises a site with a site area of 12,633.90 sq.m. (135,991 sq.ft.).</p> <p>The property is planned to be developed into a residential development with a total gross floor area of 71,400 sq.m. (768,550 sq.ft.) scheduled for completion in 2008.</p> <p>The land use rights of the property has been granted for a term of 70 years from 1 May 1991 to 30 April 2061 for commercial/residential/ancillary uses.</p>	The property is currently a vacant site.	RMB233,700,000

Notes:

- (1)

According to Real Estate Title Certificate No. 3000218326, the land use rights a piece of land, comprising a site area of 12,633.90 sq.m., has been granted to Shenzhen Huangcheng Real Estate Co., Ltd. for a term of 70 years from 1 May 1991 to 30 April 2061 for commercial/residential/ancillary uses.
- (2)

According to Supplement to Grant Contract of Land Use Rights No. (1991) 008 dated 24 April 2002, the land use rights of the property has been granted to Shenzhen Huangcheng Real Estate Co., Ltd. as follows:

(i)

Location

:

Lot Nos. B106-0051, B106-0052

(ii)

Site area

:

136,225.40 sq.m.

(iii)

Uses

:

Commercial/residential/ancillary

(iv)

Land use term

:

70 years

(v)

Total gross floor area

:

681,000 sq.m.

As advised by the Group, the property, Lot A, District C of Huangyu Yuan is part of the said land.

- (3)

According to Business Licence No. 4403011027189 Shenzhen Huangcheng Real Estate Co., Ltd., a wholly owned subsidiary of Shenzhen Properties Group, was established with a registered capital of RMB30,000,000.

- (4) According to the legal opinion of the PRC lawyer, Guangdong Yeasun Law Firm:
- (i) Shenzhen Huangcheng Real Estate Co., Ltd. is in possession of proper legal title and has obtained the land use rights of the property with a total site area of 12,633.90 sq.m. for commercial/residential/ancillary uses.

(ii) Shenzhen Huangcheng Real Estate Co., Ltd. is entitled to occupy, use and handle the property and has the capacity to sell the property.

(iii) The property is subject to encumbrances. The property is subject to mortgage and cannot be transferred without the consent of the mortgagee.
- (5) The status of title and grant of major approvals and licences in accordance with the PRC legal opinion and information provided by the Group are as follows:

Real Estate Title Certificate	Yes
Contract for Grant of Land use Rights	Yes
Red-line Drawing	Yes
Business Licence	Yes

Group VI — Property interests held by Shenzhen Properties Group in Hong Kong

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2005
1. Lot No. 92, the Remaining Portion of Lot No. 382, Extension to Lot No. 382 and the Remaining Portion of Lot No. 440 in Demarcation District No. 399, Ting Kau, Tsuen Wan, New Territories	<p>The property comprises 3 agricultural lots and one building lot in Ting Kau, Tsuen Wan.</p> <p>The property has a total site area of approximately 38,398 sq.ft. (3,567.26 sq.m.).</p> <p>The property is held from the Government for a term of 99 years from 1 July 1898 which has been statutorily extended until 30 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.</p>	The property is currently vacant.	HK\$23,000,000 (equivalent to RMB24,380,000)

Notes:

- (1)

The registered owner of the property is Wayhang Development Limited, a wholly owned subsidiary of Shenzhen Properties Group.
- (2)

Lot No. 92, Extension to Lot No. 382 and the Remaining Portion of Lot No. 440 are subject to two Sealed Copy Orders relating to Link Harvest Limited “1st Plaintiff”, Goldease International Limited “2nd Plaintiff” and Wayhang Development Limited “Defendant”.
- (3)

The Remaining Portion of Lot No. 382 is subject to two Sealed Copy Orders relating to Link Harvest Limited “1st Plaintiff”, Goldease International Limited “2nd Plaintiff” and Wayhang Development Limited “Defendant”.

APPENDIX IV

PROPERTY VALUATION ON THE ENLARGED GROUP

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2005
2. Offices Nos. 1, 2 and 12 on 7th Floor, K. Wah Centre, 191 Java Road, North Point, Hong Kong	<p>The property comprises three office units on the 7th floor of a 28-storey commercial block completed in 1991.</p> <p>The office units has a total gross floor area of approximately 3,415 sq.ft. (317.26 sq.m.).</p> <p>The property is held from the Government for a term of 75 years from 3 December 1956 renewable for a further term of 75 years. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.</p>	The property is currently owner-occupied.	HK\$11,800,000 (equivalent to RMB12,508,000)

Notes:

- (1)

The registered owner of the property is Shum Yip Properties Development Limited, a wholly owned subsidiary of Shenzhen Properties Group.
- (2)

The property is subject to a Mortgage to secure general banking facilities in favour of Nanyang Commercial Bank, Limited.

APPENDIX IV

PROPERTY VALUATION ON THE ENLARGED GROUP

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2005
3. Flat B on 17th Floor, Block 1, Roca Centre, 460-470 King’s Road, 12-18 Shu Kuk Street, North Point, Hong Kong	<p>The property comprises a residential unit on the 17th floor of a 28-storey residential block completed in 1987.</p> <p>The residential unit has a gross floor area and a saleable area of approximately 911 sq.ft. (84.63 sq.m.) and 758 sq.ft. (70.42 sq.m.) respectively.</p>	The property is currently occupied by the Group as staff quarter.	HK\$3,450,000 (equivalent to RMB3,657,000)
80/24,990th shares of and in Inland Lot No. 8581, Section C and the Remaining Portion of Sub-Section 5 of Section E of Inland Lot No. 2919	<p>The property is held under Conditions of Grant No. 11790 for a term of 75 years from 3 April 1985 renewable for a further term of 75 years (Re: Inland Lot No. 8581) and is held under Government Lease for terms of 75 years from 7 July 1930 renewable for further terms of 75 years (Re: I.L. 2919 s.C. and s.E. ss.5 R.P.). The current Government rent payable for Inland Lot No. 8581 is HK\$1,000 per annum.</p>		

Notes:

- (1)

The registered owner of the property is Shum Yip Properties Development Limited, a wholly owned subsidiary of Shenzhen Properties Group.
- (2)

The property is subject to a Mortgage to secure general banking facilities in favour of Nanyang Commercial Bank, Limited.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable inquiries, that to the best of their knowledge and belief, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

The information in this circular relating to the Sellers and Shenzhen Properties have been supplied by the directors of the Sellers and Shenzhen Properties. The Directors take no responsibility on the accuracy of the information in relation to the Sellers and Shenzhen Properties and its associates.

2. DISCLOSURE OF INTERESTS

(a) Interests in the Company

(i) Directors’ interests in Shares

As at the Latest Practicable Date, the interests and short positions of the Directors in the equity or debts securities of the Company and any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Number of Shares held	Percentage of issued Shares
Or Wai Sheun (Note 1)	353,023,083	62.29%
Ng Chi Man (Note 2)	352,838,083	62.25%
Tam Hee Chung (Note 3)	750,000	0.13%
Lai Ka Fai (Note 4)	282,000	0.05%
Lok Kung Chin, Hardy (Note 5)	200,000	0.04%
Keith Alan Holman (Note 4)	140,000	0.02%
Yeung Kwok Kwong (Note 4)	100,000	0.02%

Notes:

1. Mr. Or Wai Sheun was deemed to be interested in 352,838,083 Shares ultimately and wholly owned by a discretionary family trust of which Mr. Or is the founder and a beneficiary. These Shares were the Shares disclosed under Ms. Ng Chi Man in the above table and Note 2 below.

Mr. Or Wai Sheun was deemed to be interested in 185,000 Shares owned by China Dragon Limited due to his corporate interest therein.
2. Ms. Ng Chi Man is the spouse of Mr. Or Wai Sheun. Ms. Ng was deemed to be interested in 352,838,083 Shares as a beneficiary of the discretionary family trust referred to in Note 1 above.
3. Mr. Tam Hee Chung was the beneficial owner of 250,000 Shares and was deemed to be interested in 500,000 Shares owned by Larry H.C. Tam & Associates Limited by virtue of his 48% interest therein.
4. Shares were held by the respective Directors in their capacity as beneficial owners.
5. Mr. Lok Kung Chin, Hardy was taken to be interested in 200,000 Shares owned by a discretionary trust of which Mr. Lok is the founder.

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors had interests or short positions in any equity or debt securities of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFC) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

(ii) *Directors' rights to acquire Shares*

The Company has adopted a share option scheme on 21 May 2003 under which the Directors may, within a period of 10 years, invite any employee, Director or other persons as stipulated in the rules of the share option scheme to take up options to subscribe for Shares.

As at the Latest Practicable Date, there were no options outstanding.

(iii) *Substantial Shareholders*

As at the Latest Practicable Date, so far as is known to, or can be ascertained after reasonable enquiry by the Directors of the Company, the following persons, other than Directors of the Company, had an interest or short position in the equity or debts securities of the Company and any associated corporations (within the meaning of Part XV of the SFO) which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is expected, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group or had any options in respect of such capital.

Name of Shareholder	Number of Shares held	Percentage of total issued Shares
HSBC International Trustee Limited	354,074,433	62.47%
The Or Family Trustee Limited Inc.	352,838,083	62.25%

Note: Of the 354,074,433 Shares in which HSBC International Trustee Limited was interested as trustee of certain discretionary trusts that it manages, 352,838,083 Shares were those held by The Or Family Trustee Limited Inc. as trustee disclosed in the above table and referred to in Note 1 to the paragraph headed “Directors’ interests in Shares” above.

(iv) *Others*

As at the Latest Practicable Date, none of the subsidiaries or associates of the Company, nor any pension funds of the Company or of any of its subsidiaries, nor Cazenove Asia Limited, Knight Frank Hong Kong Limited, Vigers Appraisal & Consulting Limited and DTZ Debenham Tie Leung Limited and Guangdong Yeasun Law Firm had any interest in any Shares.

(b) **Interest in contracts or arrangement and competing business**

- (a) As at the Latest Practicable Date, none of the Directors or their respective associates had any direct or indirect interest in any assets which have been, since 31 December 2004 (being the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

- (b) On 7 January 2004, Future Star International Limited (“Future Star”), a wholly owned subsidiary of the Company, and Polytec Holdings entered into a conditional sale and purchase agreement pursuant to which Future Star agreed to conditionally acquire from Polytec Holdings the entire issued share capital of and shareholder’s loan due by Top Milestone Developments Limited (“Top Milestone”), a wholly owned subsidiary of Polytec Holdings, to Polytec Holdings (“Macau Acquisition”) at an aggregate consideration of HK\$400 million.

Top Milestone had entered into a Co-Investment Agreement with Polytex Corporation Limited (“Polytex”), a wholly-owned subsidiary of Polytec Holdings on 11 November 2003, whereby Top Milestone agreed to provide financing to Polytex in the development of a property project in the Macau Special Administrative Region of the PRC.

As Polytec Holdings is the controlling shareholder of the Company, the Macau Acquisition and the provision of loans by Top Milestone to Polytex pursuant to the Co-Investment Agreement after completion of the Macau Acquisition constitute a connected transaction for the Company under Rule 14.26 and 14.25(2) of the Listing Rules (before amendments effective 31 March 2004) respectively. A loan agreement dated 24 February 2004 was entered into between the Company as borrower and Polytec Holdings as lender in relation to the provision of a loan in the sum of HK\$400 million to the Company upon normal commercial terms to assist the completion of the Macau Acquisition. The signing of the said loan agreement is a connected transaction exempted by virtue of Rule 14.24(8) of the Listing Rules (before amendments effective 31 March 2004). Polytec Holdings is ultimately wholly-owned by a family trust the beneficiary objects of which include Mr. Or Wai Sheun, the Chairman of the Company, Ms. Ng Chi Man, an Executive Director, and their family members. The Macau Acquisition as detailed in a circular issued by the Company on 30 January 2004 was approved by independent shareholders on 16 February 2004 and completed on 24 February 2004.

As at the Latest Practicable Date, save as disclosed above and under the heading “Material related party transactions” as set out in note 30 of Financial Information on the Group (Appendix I), none of the Directors or their respective associates was materially interested in any contract or arrangement entered into by any member of the Group and subsisting at the date of this circular which was significant in relation to the business of the Group.

- (c) As at the Latest Practicable Date, none of the Directors or their respective associates had interests in a business, apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service agreement with any member of the Group which will not expire or is not determinable within one year without payment of compensation (other than statutory compensation).

4. MATERIAL CONTRACTS

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

- (a) the Trade Contract of Real Estate in Shenzhen dated 20 August 2003 between Shenzhen Properties and 招商銀行股份有限公司 (“Commercial Bank”) relating to the sale of the 1st Floor of the commercial complex known as 福民大廈 (“Fumin Building”) located at Fujiang Road, Futian District, Shenzhen by Shenzhen Properties to Commercial Bank for an aggregate cash consideration of RMB65,580,820 which was used to offset principal and interest of the loan owed to Commercial Bank;
- (b) the Intent of Trade of Real Estate dated 14 November 2003 between Shenzhen Properties and 深圳市建設投資控股公司 (“Shenzhen Construction Investment Holdings”) relating to the sale of the 2nd and 3rd Floors of a building known as 福民大廈 (“Fumin Building”) located at Fujiang Road, Futian District, Shenzhen by Shenzhen Properties to its controlling shareholder Shenzhen Construction Investment Holdings for an aggregate cash consideration of RMB82,046,900;
- (c) the conditional sale and purchase agreement dated 7 January 2004 between Future Star and Polytec Holdings relating to the investment in a property project in Macau through the acquisition by Future Star of the entire issued share capital of Top Milestone together with the shareholder's loan due by Top Milestone to Polytec Holdings at the aggregate price of HK\$400,000,000;
- (d) the Placing and Subscription Agreement dated 13 January 2004 among the Company, Intellinsight Holdings Limited, Mr. Or. Wai Sheun and Cazenove Asia Limited relating to the placing and subscription of 83,000,000 new shares in the

Company for an aggregate consideration of HK\$568,550,000, representing placing and subscription of approximately 17.2% of the existing issued share capital of the Company and approximately 14.6% of the issued share capital as enlarged by the issue of the new shares placed at HK\$6.85 per share;

- (e) the conditional sale and purchase agreement dated 15 October 2004 among the Company, Town House Development Limited (“Town House”), Winsworld Properties Limited (“Winsworld Properties”), All Victory Holdings Limited and Mexan Limited relating to the acquisition by Town House of the entire issued share capital of Winsworld Properties together with the shareholder’s loan due by Winsworld Properties to Mexan Limited for an aggregate cash consideration of HK\$1,342,000,000;
- (f) the Guaranteed Debt Restructuring Agreement dated 24 December 2004 between Shenzhen Properties and 中國信達資產管理公司長春辦事處 (Changchun Branch, China Cinda Asset Management Corporation) relating to the debt restructuring plan for the loan of RMB59,000,000 from 交通銀行長春分行 (“Changchun Branch, Bank of Communications”) due by 金田實業(集團)股份有限公司 (“Jian Tian Industrial (Group) Company Limited”) and guaranteed by Shenzhen Properties; and
- (g) the conditional sale and purchase agreement dated 1 April 2005 between the Company, the Sellers and Brilliant Idea Investments Limited relating to the acquisition of an approximately 70.3% of the issued shares of Shenzhen Properties & Resources Development (Group) Limited (“Shenzhen Properties”), a joint stock limited company listed on the Shenzhen Stock Exchange, for an aggregate cash consideration of approximately HK\$432,619,268.

5. LITIGATION

1. Town House Development Limited, a wholly-owned subsidiary of the Company, has filed a Statement of Claim in the High Court of the Hong Kong Special Administrative Region Court of First Instance against Mexan Limited on 2 June 2005 requesting for the specific performance of the provisional sale and purchase agreement dated 15 October 2004 on the disposal of the entire issued share capital of Winsworld Properties Limited together with the corresponding loan to Town House Development Limited. The principal asset of Winsworld Properties Limited is the commercial and car park complex of the development “Elizabeth House” in Causeway Bay, Hong Kong, comprising a 7-storey commercial podium, various advertising signages on the exterior walls, roof and canopies of the podium and 175 car parking spaces.

2. In a claim filed by Haiyi Industrial (Shenzhen) Co., Ltd. together with 7 other companies (together the “Haiyi Parties”) which are independent of Shenzhen Properties against Shenzhen Properties and its subsidiary Shenzhen ITC Plaza Development Company Limited (“Shenzhen ITC”, together with Shenzhen Properties known as the “Defendants”), being a subsidiary of Shenzhen Properties, the Haiyi Parties have been awarded compensation in the amount of HK\$79 million. The Defendants applied to the Guangdong Provincial High Court for a re-trial of the case, which was rejected by the Guangdong Provincial High Court at the end of 2003. The Defendants have applied for a re-trial of the case with the Supreme People’s Court of the PRC. As at the Latest Practicable Date, the Defendants were still awaiting for the Supreme People’s Court’s reply of the above application.
3. In January 1999, Shenzhen Jiyong Property Development Company (formerly known as Haibin Property Development Company) (“Jiyong”) which is independent of Shenzhen Properties filed a law suit against Shenzhen Properties at the Guangdong Provincial High Court to cancel the sale and purchase agreement entered into in 1993 between Shenzhen Properties and Jiyong in relation to Shenzhen Properties transferring its interest in Jinlihua Commercial Plaza to Jiyong (the “Jinlihua Agreements”). Shenzhen Properties filed a counter-claim and applied to withhold a total floor area of 28,000 sq. m. of Jilihua Commercial Plaza (the “Relevant Property”) as security for costs. In August 2001, the Guangdong Provincial High Court ruled that (i) the Jinlihua Agreements were valid; (ii) Shenzhen Properties were required to transfer the land use right of Jinlihua registered under Shenzhen Properties to Jiyong within a specified period; and (iii) Jiyong was required to pay to Shenzhen Properties a total amount of approximately RMB144 million within a specified period (the “Jiyong Judgment”). Further, as a result of Jiyong’s failure to repay RMB300 million to the Industrial and Commerce Bank of China Zhejiang Branch (the “Industrial and Commercial Bank”), Jiyong and the Industrial and Commercial Bank entered into a sale and purchase agreement, pursuant to which the Relevant Property was pledged by Jiyong to the Industrial and Commercial Bank as security. Pursuant to a judgment delivered by the Guangdong Provincial High Court in December 2003 (the “2003 Judgment”), 10,000 sq. m. out of the total of 28,000 sq. m. of the Relevant Property withheld by Shenzhen Properties was released to the Industrial and Commercial Bank. Shenzhen Properties applied to Guangdong Provincial High Court and requested it to conduct a review of the 2003 Judgment. As at the Latest Practicable Date, Shenzhen Properties were still in the course of awaiting the judgment from the Guangdong Province High Court.
4. In November 2002, the Shenzhen Intermediate People’s Court declared Shenzhen Luohu Great Hotel Co. Ltd (“the Hotel”) bankrupt and set up a liquidation committee to conduct the liquidation of the Hotel’s assets (the “Luohu Case”). Shenzhen Properties, being one of the shareholders and creditors of the Hotel,

filed an application to the liquidation committee and the Shenzhen Intermediate People's Court stating that the total amount due and owing by the Hotel to Shenzhen Properties should be approximately RMB23 million and approximately HK\$32 million. In December 2003, the Shenzhen Intermediate People's Court ruled that the sum owed by the Hotel to Shenzhen Properties should be approximately RMB38 million, with a pay out ratio of about 66.6%. Accordingly, Shenzhen Properties would be able to recover approximately RMB25.8 million from the liquidation of the Hotel.

Save as disclosed, neither the Company nor any other members of the Enlarged Group 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 any member of the Group. Details of all other small and unsettled law suits are provided in paragraph 6 below.

6. OTHER SMALL AND UNSETTLED LAW SUITS

- (1) Due to the Shenzhen Properties overdue transfer of building, in July 2000, Hubei Foreign Economic Cooperation Commission Shenzhen Office (hereinafter referred to as the "Office") appealed to Shenzhen Intermediate People's Court to cancel the Agreement signed by the Office and Shenzhen Properties for purchasing houses of 4,000 sq.m. used as office in Jiabing Building, and required Shenzhen Properties to return the purchase price amounting to RMB10.8 million and compensate for its losses amounting to RMB18.6756 million. As stated in the judgment of (2002) YGFMYZZ No. 90 document, Guangdong Higher People's Court judged Shenzhen Properties to return purchase price amounting of RMB10.8 million and corresponding bank interest to the Office. The Office has applied for enforcement to the Guangdong Higher People's Court. Shenzhen Properties rejected the judgment and applied to the Supreme Court of the PRC for a retrial. The case was heard on 18 January 2005 and as at the Latest Practicable Date, the result of the trial is still not available.
- (2) Shenzhen Huangcheng Real Estate Co., Ltd. (hereinafter referred to as the Real Estate Company), a subsidiary of Shenzhen Properties, prosecuted Duokuai Elevator (Far East) Co., Ltd. (hereinafter referred to as the Elevator Company) for an elevator purchasing contract. In July 2002, the Real Estate Company signed a Contract on Elevator Equipment with the Elevator Company to purchase the elevators for Huang Yu Yuan District B, but the Elevator Company seriously breached the contract by its delay in goods supply. Therefore, the Real Estate Company applied to the Shenzhen Arbitration Committee for arbitration to cancel the contract, and demand from the Elevator Company a repayment amounting to RMB19,673,500, a penalty amounting to RMB2,393,000 and a loss compensation amounting to RMB277,268. The arbitration session has not been held as at the Latest Practicable Date.

- (3) The Construction Bank of China Shenzhen Branch Bao'an subbranch prosecutes the Company (hereinafter referred to as the "Bank") for a loan contract. In September 1995, the Bank signed a loan contract with Shenzhen Properties and Shenzhen International Trade Industrial Co., Ltd., a wholly-owned subsidiary of Company. According to the contract, Shenzhen Properties borrowed RMB15 million from the Bank, and Shenzhen International Trade Industrial Co., Ltd undertook joint liabilities. Later, Shenzhen Properties discharged the capital amounting to RMB15 million but did not pay the interest. The Bank filed a claim at the Bao'an Court against Shenzhen Properties for payment of interest amounting to over RMB2.51 million. According to the mediation agreement released by the court in September 2000, Shenzhen Properties should pay interest in installments to the bank amounting to RMB2.57 million. The case is under execution, and Shenzhen Properties still has to pay over RMB1.2 million.
- (4) Meisi Company's claim against Shenzhen Properties for land use right infringement. In June 2004, Shenzhen Meisi Industrial Co., Ltd. applied to the Shenzhen Intermediate Court, claiming Shenzhen Luohu Economic Development Co., Ltd and Shenzhen Properties for infringement of its land use rights and demanded compensation amounting to RMB8 million in order to remove the infringement. Shenzhen Properties is disputing the claim and the case has commenced hearing but not been settled as at the Latest Practicable Date.
- (5) The case concerning the Huaxi Company prosecutes Jiyong Company and Shenzhen Properties for arrearage in the Jinglihua Commercial Plaza construction. Shenzhen Properties is named as a co-defendant for unpaid construction fee for a contract entered into by Huaxi Company in 1996 for Jinglihua Commercial Plaza. Since Shenzhen Properties has transferred its equity interest in Jinglihua Commercial Plaza to Jiyong Company in 1993, it should not be held liable for any claims made by Huaxi Company. The hearing for this case has commenced but no judgment has been made as at the Latest Practicable Date.
- (6) The case concerning Tao Boming's claim against Shenzhen Huangcheng Real Estate Co., Ltd., a subsidiary of the Company (hereinafter referred to as the Real Estate Company), for its delay in house transfer and complete the transfer of title certificate. In October 2004, Tao Boming applied to the Futian Court of Shenzhen and demanded that the Real Estate Company transfer the building and transact the house property certificate in accordance with the Sale and Purchase Contract entered into in 2001. In addition, Tao Boming claimed that the Real Estate Company should pay a penalty for overdue house transfer and certificate transaction as well as corresponding extra tax, totally amounting to RMB4.17 million. This case is still in inquisition.

- (7) The enforcement case concerning the Construction Bank of China against Gintian Company for a loan contract. In December 1998, the business department of China Construction Bank of China Shenzhen Branch (hereinafter referred to as the Bank) signed a loan contract with the Gintian Industrial (Group) Holdings Co., Ltd. (hereinafter referred to as Gintian Company), in which Gintian Company borrowed RMB2.6 million from the Construction Bank of China and Shenzhen Properties undertook joint liabilities. Gintian Company defaulted on the loan and Shenzhen Properties did not undertake the joint liabilities, so the Bank applied to the Luohu Court, demanding Gintian Company to repay the capital and interest and the Company undertake joint liabilities. In May 2001, the Court judged Gintian Company should repay capital amounting to RMB2.6 million and interest amounting to RMB290,000 to the Bank and Shenzhen Properties should undertake the joint liabilities. The case is in execution.
- (8) The claim by Shenzhen Properties against Zhang Fujian for outstanding rent of Fumin Building. In September 2002, Zhang Fujian rented the second floor of Fuming Building from Shenzhen Properties. Shenzhen Zhenhong Technology Co., Ltd. provide a guarantee for the lease. Zhang Fujian defaulted on rent payment and Shenzhen Properties applied to the Futian Court for outstanding rent and damages. The court judged that Zhang Fujian should pay Shenzhen Properties rent, water and electricity fee, penalty, etc., totally amounting to RMB1.7 million, and Shenzhen Zhenhong Technology Co., Ltd. and Shenzhen Fumin Shopping Mall Co., Ltd should undertake joint liabilities. Shenzhen Properties has applied for enforcement of the judgment and has applied to withhold one set of house property belonging to Zhang Fujian and his wife.
- (9) The case concerning Wu Qiang and Huang Peihua's prosecuting Shenzhen Properties for its trespass on the adjacent right by the 2nd stage of International Trade Plaza developed by Shenzhen Properties. Wu Qiang and Huang Peihua purchased a set of house property respectively in the International Trade Commercial and Residential Building in September 1991. They appealed to Luohu Court in 2003 that the 2nd stage of International Trade Plaza developed by Shenzhen Properties trespassed on its adjacent right, so they demanded that Shenzhen Properties compensated for the losses amounting to RMB1.7 million. Afterwards, Luohu Court judged Shenzhen Properties to pay a compensation amounting to RMB180,000. Shenzhen Properties rejected the judgement and appealed to Shenzhen Intermediate Court which rejected the appeal and kept the original judgment in December 2004.

- (10) The case concerning the dispute over sealing the houses, which was appealed by Hainan Xinda Development General Company (hereinafter referred to as Hainan Xinda Company or Xinda Company), a subsidiary of Shenzhen Properties. Pursuant to the civil judgments of (2002) SLFJEC Zi No. 1055, 1056 and 1057 documents, the Shenzhen Luohu Court sealed the two sets of houses on the seventh and eighth floor respectively in Block F of Xinda Commercial Center, which is under the name of Hainan International Trust and Investment Company. Xinda Company considered Hainan International Trust and Investment Company had transferred the aforesaid two sets of houses to Xinda Company, but the two parties have not completed any transfer procedures. Therefore, Xinda Company applied to the Luohu Court for unsealing the houses. The case has not been settled.
- (11) In December 2002, four owners of Fengrun Garden Villa applied to Shenzhen Arbitration Committee for an arbitration, and demanded that Shenzhen Properties Engineering Development Company (hereinafter referred to as the “Development Company”), subsidiary of Shenzhen Properties, to pay compensation for overdue certificate transaction amounting to RMB420,000 and return the overcharged sum of maintenance for house reality amounting to RMB1,416. Verdicted by Shenzhen Arbitration Committee, the Development Company should pay RMB181,705 to the four owners. Later, since the Development Company applied to block the execution. Luohu Court judged not to execute the aforesaid arbitration. In August 2004, three owners of the aforesaid four owners re-appealed to the Bao’an District Court and demanded that the Development Company to pay a compensation for overdue certificate transaction amounting to RMB283,312. The case is under cognizance.
- (12) The invalid transfer of property among Zhang Fujian, Xi Huixia and Zhang Huizi. Zhang Jianfu and Xi Huixia transferred a set of house property to their underage child Zhang Huizi in order to evade their debt while Zhang Fujian owed the rent 2nd floor of Fumin Building to Shenzhen Properties. Shenzhen Properties applied to the Luohu Court and claimed the transfer invalid. The said case has been heard, but no judgment has been made as at the Latest Practicable Date.

7. QUALIFICATION OF EXPERTS

The following are the qualification of the experts who have given opinion or advice, contained in this circular:

Name	Qualifications
KLL Associates CPA Limited	Certified Public Accountants
Knight Frank Hong Kong Ltd., Vigers Appraisal & Consulting Limited and DTZ Debenham Tie Leung Limited	Professional surveyors and valuers
Guangdong Yeasun Law Firm	PRC legal advisers

As at the Latest Practicable Date, each of KLL Associates CPA Limited, Knight Frank Hong Kong Ltd., Vigers Appraisal & Consulting Limited, DTZ Debenham Tie Leung Limited and Guangdong Yeasun Law Firm did not have any holding, directly or indirectly, of any securities in any member of the Group or any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities of any member of the Group.

As at the Latest Practicable Date, each of KLL Associates CPA Limited, Knight Frank Hong Kong Ltd., Vigers Appraisal & Consulting Limited, DTZ Debenham Tie Leung Limited and Guangdong Yeasun Law Firm did not have any direct or indirect interests in any assets which since 31 December 2004 (being the date to which the latest published audited accounts of the Group were made up) have been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, any member of the Group.

8. EXPERTS

Each of KLL Associates CPA Limited, Knight Frank Hong Kong Ltd., Vigers Appraisal & Consulting Limited, DTZ Debenham Tie Leung Limited and Guangdong Yeasun Law Firm has given and has not withdrawn its written consents to the issue of this circular with the inclusion of its letters, reports and references to its names, as the case may be, in the form and context in which they respectively appear.

9. MISCELLANEOUS

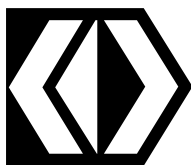
- (a) The Qualified Accountant and Secretary of the Company is Ms. Wai Yuk Hing, Monica. Ms. Wai holds a Bachelor of Business degree from the Monash University, Melbourne, Australia, and is an associate member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants and an associate member of CPA Australia.
- (b) The registered office of the Company is located at 23rd Floor, Pioneer Centre, 750 Nathan Road, Kowloon, Hong Kong.
- (c) The share registrar of the Company is Computershare Hong Kong Investor Services Limited, on 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The English text of this circular and form of proxy shall prevail over the Chinese text in the case of any inconsistency.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the offices of the Company on 23rd Floor, Pioneer Centre, 750 Nathan Road, Kowloon, Hong Kong up to and including Wednesday, 20 July 2005:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for the two financial years ended 31 December 2003 and 2004;
- (c) the material contracts referred to in the section headed "Material Contracts" in this Appendix;
- (d) the accountant's report prepared by KLL Associates CPA Limited, the texts of which are set out on pages 66 to 96 of this circular;
- (e) the statement of adjustment prepared by KLL Associates CPA Limited.
- (f) letters, summaries of valuations and valuation certificates prepared by Knight Frank Hong Kong Limited, Vigers Appraisal & Consulting Limited and DTZ Debenham Tie Leung Limited relating to the property interests of the Group, the texts of which are set out in Appendix IV to this circular; and
- (g) the written consents referred to in the section headed "Experts" in this Appendix.

NOTICE OF EXTRAORDINARY GENERAL MEETING



九龍建業有限公司

KOWLOON DEVELOPMENT COMPANY LIMITED

(incorporated in Hong Kong with limited liability)

(Stock Code: 34)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Kowloon Development Company Limited (the “**Company**”) will be held at the Crystal Ballroom, Basement 3, Holiday Inn Golden Mile Hong Kong, 50 Nathan Road, Kowloon, Hong Kong on Wednesday, 20 July 2005 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT**

- (a) a sale and purchase agreement dated 1 April 2005 entered into between Brilliant Idea Investments Limited, an 85% owned subsidiary of the Company (the “**Purchaser**”) and Shenzhen Construction Investment Holdings and Shenzhen Investment Management Corporation (together the “**Sellers**”) in relation to the sale of 323,747,713 State-owned promoter shares in Shenzhen Properties & Resources Development (Group) Limited (“**Shenzhen Properties**”) and 57,113,899 domestic legal person shares in Shenzhen Properties, representing an approximately 70.3% equity interest in Shenzhen Properties by the Sellers to the Purchaser (the “**Agreement**”, a copy of which has been produced to the meeting and marked “A” and signed by the Chairman of the meeting for identification purposes) be and is hereby approved, ratified and confirmed; and
- (b) the board of directors of the Company be and is hereby authorized to take all steps necessary, desirable or expedient for the purposes of or in connection with the implementation of the Agreement and the transactions contemplated thereunder.”

By Order of the Board

KOWLOON DEVELOPMENT COMPANY LIMITED

Or Wai Sheun

Chairman

Hong Kong, 30 June 2005

NOTICE OF EXTRAORDINARY GENERAL MEETING

Registered office:

23rd Floor, Pioneer Centre
750 Nathan Road
Kowloon
Hong Kong

Notes:

1. A member entitled to attend and vote at the meeting, on a poll, convened by this notice is entitled to appoint one or more proxies (who must be individuals) to attend and vote in his stead. A proxy need not be a member of the Company.
2. To be valid, the form of proxy, together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the office of the Company's registrars, Computershare Hong Kong Investor Services Limited, on 46th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or adjourned meeting thereof.
3. A form of proxy for use at the meeting is enclosed. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjournment thereof.
4. In the case of joint holders, any one of such holders may attend and vote at the meeting either personally or by proxy, but if more than one of such joint holders are present at the meeting personally or by proxy, one of the said persons so present whose name stands first on the register of members in respect of the joint holding shall alone be entitled to vote in respect thereof.