

- (a) On 28th December, 1998, an agreement (the “Guo Jian Disposal Agreement”) was entered into between (i) Evergrow Surplus Limited (“Evergrow Surplus”), an indirect-wholly owned subsidiary of the Company, as vendor, (ii) 上海國際建設總承包公司 (“International Contractor”) as purchaser and (iii) 上海浦東四季實業公司 (“Four Seasons”) as consent party. Pursuant to the Guo Jian Disposal Agreement, Evergrow Surplus agreed to dispose of certain of its interests in Shanghai Tomson Guo Jian Concrete Co., Ltd (“Guo Jian”) to International Contractor (the “Guo Jian Disposal”).

Guo Jian is a Sino-foreign joint-venture enterprise incorporated in November, 1994 in Shanghai, the People’s Republic of China (“PRC”). Its sole asset is a manufacturing factory located in Shanghai for the production of ready-mixed concrete. The factory commenced production in December, 1994 and has a maximum annual production capacity of 1,000,000 cubic meters of concrete.

According to the joint venture agreement of Guo Jian made in November, 1993 (the “Joint Venture Agreement”), Guo Jian’s registered capital of US\$6 million were subscribed as to 72.33 per cent, 20 per cent and 7.67 per cent by Evergrow Surplus, International Contractor and Four Seasons (the “Original Interest Ratio”) respectively. Pursuant to a supplemental agreement dated 25th April, 1994 to the Joint Venture Agreement (the “Guo Jian Supplemental Agreement”), Four Seasons did not share in either profit, loss, asset or liabilities of Guo Jian for the period up to 31st December, 1998. Thereafter, Four Seasons shall share in the results, assets and liabilities, of Guo Jian pro-rata to its then prevailing interest holding in Guo Jian. In that connection, all shareholders of Guo Jian had agreed to re-compute the Original Interest Ratio with reference to RMB34,984,724, the net asset value of Guo Jian as at 30th September, 1998 (the “Original Net Asset Value”). Consequently, should there be no Guo Jian Disposal, Evergrow Surplus, International Contractor and Four Seasons would hold a 69.82%, 19.3% and 10.88% respective interest in Guo Jian with effect from 1st January, 1999.

Pursuant to the Guo Jian Disposal Agreement, Evergrow Surplus agreed to dispose of 44.82 per cent interest in the registered capital of Guo Jian to International Contractor. After completion of the Guo Jian Disposal and owing to the aforesaid adjustment of the shareholding interests, the respective interest held by Evergrow Surplus and International Contractor in Guo Jian were changed to 25 per cent and 64.12 per cent.

(a) *(continued)*

According to the laws and regulations of the PRC, the transaction contemplated in the Guo Jian Disposal Agreement can only be completed when official approval is given by the relevant governing authorities of the PRC government. The transaction was submitted to the governing authorities of the PRC government for approval in 1999, however, Guo Jian was required to engage an independent auditor to evaluate the net asset value of Guo Jian as at 30th September, 1998. Pursuant to the report issued by the independent auditor, the net asset value of Guo Jian as at 30th September, 1998 was RMB23,552,197 (the "Revised Net Asset Value"), a reduction of approximately RMB11.43 million as compared with the Original Net Asset Value.

With reference to the Revised Net Asset Value and the Guo Jian Supplemental Agreement, should there be no disposal, the respective interest held by Evergrow Surplus, International Contractor and Four Seasons in Guo Jian has been revised to 65.67%, 18.16% and 16.17% with effect from 1st January, 1999 (the "Adjusted Interest").

Since Evergrow Surplus intends to retain 25% interest in the registered capital of the Guo Jian as a strategic investment and the parties to the Guo Jian Disposal Agreement have agreed to revise the consideration for the disposal based on the Revised Net Asset Value, Evergrow Surplus has agreed to dispose of 40.67% of the registered capital of Guo Jian to International Contractor at a consideration of RMB9,578,679. Four Seasons has waived its pre-emption right to acquire the said interest and has consented to the transaction. The Board has received a written notice that the relevant governing authority of the PRC government has granted its official approval to the share transfer and the transaction has become effective on 17th January, 2000. After the transaction, the respective Adjusted Interest held by Evergrow Surplus and International Contractor in the Guo Jian will be changed to be 25% and 58.83%.

According to the Revised Net Asset Value, the consideration for the Guo Jian Disposal, which has been arrived at after arm's length negotiations, was revised from RMB15,680,153 to RMB9,578,679 (the "Guo Jian Consideration"). The Guo Jian Consideration was satisfied by means of an assignment from International Contractor to Evergrow Surplus of all rights, titles and interests in a trade receivable of RMB9,578,679 owed by Shanghai Tomson Outer Gaoqiao Development Co., Ltd. ("Tomson Outer Gaoqiao Company"), an indirect 90%-owned subsidiary of the Company incorporated in Shanghai, PRC to International Contractor.

As a result of the Guo Jian Disposal, a further loss of approximately HK\$5.7 million has been recognised in the financial statement of the Group for the year ended 31st December, 1999.

(a) *(continued)*

Performance of Guo Jian has not been satisfactory and the financial position of Guo Jian was deteriorating. The Guo Jian Disposal will therefore relieve the Group from the potential of further capital injection into Guo Jian. Furthermore, as a result of assigning the rights, titles and interests in the receivable from Tomson Outer Gaoqiao Company as consideration for the Guo Jian Disposal, the cash resources otherwise payable to International Contractor by Tomson Outer Gaoqiao Company can be retained by the Group as working capital. The Directors of the Company, including independent non-executive Directors, are of the opinion that it is in the best interests of the Group and the shareholders to enter into the Guo Jian Disposal Agreement.

Pursuant to the Guo Jian Disposal Agreement, all parties have also agreed to take up whatever loss or damages in the Original Interest Ratio that may have incurred or arisen from any contingent liabilities of Guo Jian on or before 31st December, 1998 or any liabilities which may have arisen from any action of Guo Jian on or before that date. A provision for bad and doubtful debt of approximately HK\$33 million has already been made in the financial statements of the Group for the year ended 31st December, 1998 in respect of the receivable of Guo Jian, and the Directors consider it unlikely for the Group to suffer further financial losses of any significance as a result of this undertaking.

Owing to its substantial shareholdings in Guo Jian, International Contractor is a connected person of the Company under the Listing Rule.

(b) Bonton Co. Ltd. ("Bonton") is a company incorporated in British Virgin Islands and its sole asset is an indirect investment in a residential development project in Fortune World, the Lujiazui Finance and Trade Zone, Pudong, Shanghai, the People's Republic of China (the "Residential Development Project") and the development has yet to commence.

Tomson (China) Limited ("Tomson China") is a company incorporated in Hong Kong and is an indirect wholly-owned subsidiary of the Company.

Yung Shin Investments Limited ("Yung Shin") is a company incorporated in British Virgin Islands and is a connected party of the Company by virtue only of its interest in Bonton.

(b) *(continued)*

Tomson China was the sole shareholder of Bonton until July, 1999, in which Tomson China, Yung Shin and Bonton entered into a subscription and shareholders agreement relating to the investment in Bonton (the "Subscription Agreement"). Pursuant to the Subscription Agreement, Tomson China and Yung Shin have respectively subscribed for 80 per cent and 20 per cent of the capital of Bonton. Each of Tomson China and Yung Shin has also agreed to advance the amounts of US\$52,000,000 and US\$13,000,000 as working capital for the operation of Bonton by ways of shareholder loans. As at 31st December, 1999, Tomson China and Yung Shin have respectively advanced the amounts of US\$17,978,398 and US\$13,001,980 to Bonton, resulting in a loan ratio of 58:42. Tomson China has not advanced the balance of the shareholder loan as stipulated in the Subscription Agreement since the Residential Development Project has not yet to commence and it was unnecessary to tie up the capital therein. Further capital will be injected to Bonton according to the development progress of the Residential Development Project.

In order to strengthen the commitment of the joint venture parties to the development project of Bonton and to reinforce Bonton's capital base, Yung Shin suggested to convert shareholder loans advanced and to be advanced to Bonton under the Subscription Agreement into shares of Bonton. The proposal was then agreed by Tomson China.

On 20th December, 1999, a supplemental agreement to the Subscription Agreement was executed amongst Tomson China, Yung Shin and Bonton, by which Tomson China and Yung Shin will convert their shareholder loans made to Bonton into issued capital of Bonton at par value of US\$1 per each share. Upon formalisation of an increase in authorised capital of Bonton in December, 1999, the amounts of loans were converted by Tomson China and Yung Shin are respectively US\$17,957,920 and US\$13,001,980 in February, 2000.

As a result of the loan capitalisation, the issued capital of Bonton was increased from US\$100 to US\$30,960,000 which to be owned as to 58 per cent and 42 per cent by Tomson China and Yung Shin respectively; however, it is the intention of both parties to restore the original shareholding ratio of 80:20 in Bonton by further capital injection by Tomson China at a later stage. The new shares in Bonton will rank *pari passu* with the existing shares.

As Yung Shin is a substantial shareholder of Bonton and is therefore a connected person of the Company, the aforesaid capitalisation of loan made by and the issue of shares in the capital of Bonton to Yung Shin will constitute a connected transaction of the Company.

- (c) In the ordinary course of business, current accounts have been maintained between companies in the Group. At the balance sheet date, the particulars and the aggregate balances of the current accounts due by the following non wholly owned subsidiaries of the Company to the remaining members of the Group were as follows:–

	Percentage shareholdings attributable to the Group	Interest Rate	2000 HK\$'000	1999 HK\$'000
Bonton Co., Ltd. and its subsidiaries	58%	–	<b>219,437</b>	174,398
Multiclassic Investments Inc. and its subsidiaries	70%	10% p.a.	<b>667,971</b>	501,507
Shanghai Tingar Real-Estate Co., Ltd.	90%	–	<b>49,770</b>	49,587
Shanghai Tomson Huangpu Real Estate Co., Ltd.	95%	–	<b>90,500</b>	143,956
Shanghai Tomson Outer Gaoqiao Development Co., Ltd.	90%	–	<b>177,981</b>	180,350
Shanghai Tomson Plastic Industry Co., Ltd.	58%	–	<b>21,460</b>	16,135
Zibo Tomson Plastic Co., Ltd.	75%	–	<b>8,867</b>	8,076

These current accounts are unsecured and have no fixed term of repayment.