
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Oxford Properties & Finance Limited, you should at once hand this circular with the enclosed form of proxy to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

This circular is addressed to the shareholders of Oxford Properties & Finance Limited in connection with an extraordinary general meeting of Oxford Properties & Finance Limited to be held on Thursday, 1 August 2002. This circular does not constitute an offer of, nor is it calculated to invite offers for, shares in, or other securities of Oxford Properties & Finance Limited.

The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

OXFORD PROPERTIES & FINANCE LIMITED

(incorporated in Hong Kong with limited liability)

**OPEN OFFER OF 15,046,920 SHARES OF HK\$1 EACH
IN THE CAPITAL OF THE COMPANY AT HK\$8 PER OFFER SHARE
ON THE BASIS OF NINE OFFER SHARES FOR EVERY FOUR EXISTING
SHARES HELD BY INDEPENDENT QUALIFYING SHAREHOLDERS
PAYABLE IN FULL ON ACCEPTANCE**

Financial adviser to Oxford Properties & Finance Limited

**Deloitte & Touche
Corporate Finance Ltd**

Financial adviser to the Independent Board Committee of Oxford Properties & Finance Limited



嘉洛證券融資有限公司
Quam Capital Limited

A letter from Quam Capital Limited, the financial adviser to the independent board committee of Oxford Properties & Finance Limited, is set out on pages 17 to 27 to this circular.

The proposed Open Offer will not be underwritten as no agreement can be reached. According to Rule 7.24 (1) of the Listing Rules, the Open Offer is required to be fully underwritten. As the Open Offer is not underwritten, the Company will proceed with the Open Offer and comply with Rule 7.24 (2) of the Listing Rules. The Company is not subject to any statutory requirements which require a minimum subscription level for its issue of Shares. The Prospectus Documents will contain full disclosure of the minimum amount, if any, which must be raised in order for the issue to proceed.

A notice convening an extraordinary general meeting of Oxford Properties & Finance Limited to be held at 4:00 p.m. on Thursday, 1 August 2002 at Gloucester Room II, 2/F, The Excelsior, Hong Kong, 281 Gloucester Road, Causeway Bay, Hong Kong is set out on pages 67 to 70 of this circular. Whether or not you are able to attend the meeting in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit with the share registrar of Oxford Properties & Finance Limited, Sums Limited at 1601 Wing On Centre, 111 Connaught Road Central, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting should you so wish.

2 July 2002

CONTENTS

	<i>Page</i>
Definitions	1
Expected timetable	4
Letter from the Board	5
Letter from the Independent Board Committee	16
Letter from Quam Capital	17
Appendix I – Financial information	28
Appendix II – Schedule of Properties	56
Appendix III – General information	62
Notice of the EGM	67

DEFINITIONS

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

“Announcements”	the announcements dated 18 April 2002 and 25 June 2002 issued by the Company regarding, inter alia, the Open Offer
“Application Form(s)”	the form(s) of application for the Offer Shares to be issued by the Company to the Independent Qualifying Shareholders
“Associate(s)”	has the meaning given to it as defined in the Listing Rules
“Board”	the board of Directors
“Business Day”	a day, other than Saturday, on which banks in Hong Kong are generally open for business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company”	Oxford Properties & Finance Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Stock Exchange
“Connected Person”	a Director, chief executive or substantial shareholder of the Company or any of its subsidiaries or an associate of any of them
“Connected Shareholders”	Shareholders who are Connected Persons, any person whose acquisition of Shares has been financed directly or indirectly by a Connected Person, and any Shareholders who are accustomed to take direct or indirect instructions from a Connected Person in relation to the acquisition, disposal, voting or other disposition of Shares
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held on 1 August 2002, to consider, inter alia, the Open Offer

DEFINITIONS

“Eleven Major Shareholders”	the eleven shareholders as defined in the inspection report published on 21 December 2001 by Inspector Mr Stephen Man-Tak Suen appointed by the Financial Secretary of Hong Kong, namely, Peaceful Investment Inc, Barkston Investment Ltd, Lotus Real Estate Inc, Development & Trust Inc, Good American Inc, S Yamamoto for Hong Kong KIn First Stock Exchange Co, San Ting Enterprise Inc, Californian Enterprise Inc, Peaceful Corporation, Legal (Nominees) Ltd and Gyna Incorporated
“Excluded Shareholder(s)”	Shareholder(s) other than the Independent Qualifying Shareholder(s)
“General Mandate”	the general mandate granted to the Directors at the Company’s annual general meeting held on 6 July 2001
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Independent Board Committee”	the independent board committee comprising Messrs. Alfred Cheung Tze Fat and Arthur Hak Lap Lau, the independent non-executive Directors, who have been appointed as the members of the Independent Board Committee to advise the Independent Qualifying Shareholders on the terms of the Open Offer
“Independent Qualifying Shareholders”	those Shareholders other than Mr. James Smith Lee, the Eleven Major Shareholders and Connected Shareholders, whose names appears on the register of members of the Company on the Record Date and whose addresses as shown on the register of members of the Company on that day, are in Hong Kong
“Independent Shareholder”	those Shareholders other than the Eleven Major Shareholders, Mr James Smith Lee and Connected Shareholders
“Latest Practicable Date”	25 June 2002, being the latest practicable date prior to printing of this circular for ascertaining certain information in this circular
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“Modern Aspac”	Modern Aspac Development Company Limited
“Offer Share(s)”	15,046,920 new Shares to be issued pursuant to the Open Offer
“Open Offer”	the proposed open offer of the Offer Shares to the Independent Qualifying Shareholders on the basis of nine Offer Shares for every four existing Shares held by the Independent Qualifying Shareholders on the Record Date and subject to the terms and conditions referred to in this circular
“Overseas Shareholder(s)”	Shareholders(s) whose name(s) appear(s) on the register of members of the Company as at the close of business on the Record Date and whose address(es) as shown in the register of members of the Company on that date is (are) outside Hong Kong
“Prospectus”	a prospectus to be issued by the Company containing details of the Open Offer
“Prospectus Documents”	the Prospectus and the Application Form
“Quam Capital”	Quam Capital Limited, an investment adviser registered under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong), the independent financial adviser to the Independent Board Committee in relation to the Open Offer
“Record Date”	13 August 2002, the date by reference to which entitlements to the Open Offer will be determined
“SDI Ordinance”	the Securities (Disclosure of Interests) Ordinance (Chapter 396 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$1 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of \$8 per Offer Share
“\$” and “cents”	Hong Kong dollars and cents, the lawful currency of Hong Kong
“%”	per cent.

EXPECTED TIMETABLE

2002

Latest time for return of proxy form for the EGM	4:00 p.m. on Tuesday, 30 July
EGM	4:00 p.m. on Thursday, 1 August
Last day of dealings in Shares on a cum-offer basis	Friday, 2 August
First day of dealings in Shares on an ex-offer basis	Monday, 5 August
Latest time for lodging transfers in order to qualify for the Open Offer	4:00 p.m., on Tuesday, 6 August
Register of members closes (both days inclusive)	Wednesday, 7 August to Tuesday, 13 August
Record Date	Tuesday, 13 August
Despatch of Prospectus Documents	Friday, 16 August
Latest time for acceptance of and payment for the Offer Shares	4:00 p.m. on Monday, 2 September
Open offer expected to become unconditional on	Friday, 6 September
Announcement of the results of the Open Offer	Monday, 9 September
Refund cheques for wholly or partially unsuccessful application to be sent on or before	Monday, 9 September
Certificates for fully paid Offer Shares to be sent on or before	Monday, 9 September
Commencement of dealing of fully-paid Offer Shares	Wednesday, 11 September

LETTER FROM THE BOARD

OXFORD PROPERTIES & FINANCE LIMITED

(incorporated in Hong Kong with limited liability)

Executive Directors:

Mr. Lee Teh Yee, William (*Chairman*)
Mr. Kiang Chee Man, Robert
Ms. Lee Wan Wah
Ms. Lee An Fen
Mr. Robert Horatius Bonar
(alternate director to Mr Kiang Chee Man, Robert)
Mr. Wong Shu Yuen
(alternate director to Miss Lee Wan Wah)

Registered office:

1601 Wing On Centre
111 Connaught Road
Central, Hong Kong

Independent Non-executive Directors:

Mr. Chan Kam Lun, Daniel
Mr. Chow Sy Pien
Mr. Alfred Cheung Tze Fat
Mr. Arthur Hak Lap Lau

2 July 2002

*To all Independent Shareholders and,
for information only, the Excluded Shareholders (other than Overseas Shareholders)*

Dear Sir or Madam,

**OPEN OFFER OF 15,046,920 SHARES OF HK\$1 EACH
IN THE CAPITAL OF THE COMPANY AT HK\$8 PER OFFER SHARE
ON THE BASIS OF NINE OFFER SHARES FOR EVERY FOUR EXISTING
SHARES HELD BY INDEPENDENT QUALIFYING SHAREHOLDERS
PAYABLE IN FULL ON ACCEPTANCE**

INTRODUCTION

It was announced in the Announcements, by the Directors, subject to the satisfaction of certain conditions, the Company intended to make the Open Offer to the Independent Qualifying Shareholders on the basis of nine Offer Shares for every four existing Shares held by the Independent Qualifying Shareholders as at the Record Date to raise a maximum of approximately \$120.4 million, before expenses.

Mr. Chow Sy Pien, aged 82, will not become a member of the Independent Board Committee to give advice to the Independent Shareholders for health reasons. Mr. Chow has had a major operation recently. Mr. Chan Kam Lun, Daniel is not considered independent to be appointed to the Independent Board Committee as Messrs. Lau, Wong & Chan of which Mr. Chan is a partner, has been appointed by Mr. James Smith Lee and the Eleven Major Shareholders to advise on the alternatives to restore the Company's public float. Given that Mr. Cheung Tze Fat, Alfred and Mr. Lau Hak Lap, who are neither salaried Directors nor involved in the Open Offer, they have been appointed to be the members of the Independent Board Committee.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, inter alia, further information on the Open Offer, the information on dealings in and acceptance of the Offer Shares and certain financial information in respect of the Group and to give you notice of the EGM at which necessary resolutions will be proposed to seek your approval of the Open Offer.

INFORMATION ON THE COMPANY

The principal activities of the Group are investment holding, property investment, property development and provision of property agency services. The Group's properties (excluding properties for sale) situated in Hong Kong have a carrying value of \$1,069.4 million while those situated in Guam have a carrying value of \$75.2 million, thus making up an aggregate carrying value of \$1,144.6 million as set out in Appendix II. According to the Group's audited accounts as of 31 January 2002, the consolidated net assets of the Group amount to \$950.9 million approximately. Accordingly 93% and 7% of the properties' (by carrying value) are located in Hong Kong and Guam respectively. Substantially all the activities of the Group are based in Hong Kong and approximately 92% of the Group's turnover was derived from Hong Kong.

Since the leasing market is still soft and the economic climate has not yet improved, the demand in commercial and residential leasing in Hong Kong slightly improved in the first half of the year but adversely affected after the U.S. '911' calamity. The turnover from the Group's long term property portfolio increased by approximately 1% owing to the net increase of occupancy of Jubilee Centre Phase I and Phase II in Hong Kong.

Contribution from Hong Kong makes up approximately 92% of the total turnover of the Group. The Group's rental income in respect of Jubilee Centre Phase I and Phase II increased moderately while rental from other investment properties in Hong Kong suffered a slight decrease. New leases have to be negotiated either at prevailing low rental or with some rent free period. With the existing leases coming due for renewal, the Group has to offer a slight reduction of rental to keep the existing tenants. In view of the possibility that plot ratio and height restriction may be eased in Kowloon Tong areas in the next two or three years, the Directors have decided to continue to delay the commencement of the Oxford Road, Kowloon Tong project, even though the airport has already moved to Chap Lap Kok, so as to generate most benefit for the shareholders.

The Board of Directors expects that the economy of Guam, which makes up 7.56% of the total turnover, will continue to be adversely affected by the U.S. "911" calamity and be under depression. It will last for another one or two years. Moreover, since the economy of Hong Kong is still slow and the leasing market is still soft, the Board of Directors is more conservative about the performance of the coming year. However, the Directors are still confident that the Group will maintain a sound financial foundation and continue its cautious business strategy in identifying investment opportunity in Hong Kong and elsewhere.

LETTER FROM THE BOARD

REVISED OPEN OFFER

In the review of the necessary mechanics for the exclusion of Shares for determining entitlements to the Open Offer, it came to the Company's attention that Mr. James Smith Lee personally holds 90,118 Shares ("Personal Shares"), apart from the 60,415,962 Shares held by the Eleven Major Shareholders in aggregate. Existence of the Personal Shares were overlooked when the announcement of the Company dated 18 April 2002 was processed. Two issues have arisen as a result of these Personal Shares:

- As the objective of the Open Offer is to restore public float of the Company's Shares, these Personal Shares should not entitle Mr. James Smith Lee to the Open Offer, in the same manner the Eleven Major Shareholders are excluded from the Open Offer. The number of Offer Shares would thus reduce from 13,555,276 to 13,375,040; and
- Taking into account the Personal Shares, full subscription under the Open Offer would result in the Independent Shareholders together holding a total of 24.7% of the enlarged issued share capital after the Open Offer, still short of the minimum public float of 25% under the Listing Rules.

According to the announcement of the Company dated 18 April 2002, Independent Qualifying Shareholders are entitled to subscribe for two Offer Shares for every existing Share held. However, under the circumstances, the Board has proposed that the basis of the Open Offer should be revised to 9 Offer Shares for every 4 Shares held by an Independent Qualifying Shareholder.

The number of new Shares to be issued on full subscription of the Open Offer as so revised would amount to 15,046,920, in which event the effect on the distribution of the enlarged shareholding structure of the Company will be as follows:

	Existing Shareholding		Upon Full Subscription of the Open Offer as Revised	
	<i>No. of shares</i>	<i>%</i>	<i>No. of shares</i>	<i>%</i>
James Smith Lee	90,118	0.13	90,118	0.11
Eleven Major Shareholders	60,415,962	89.16	60,415,962	72.96
Lee Teh Yee, William	33,000	0.05	33,000	0.04
Modern Aspac	533,400	0.79	533,400	0.64
	<hr/>	<hr/>	<hr/>	<hr/>
Sub Total	61,072,480	90.13	61,072,480	73.75
	<hr/>	<hr/>	<hr/>	<hr/>
Public Shareholders	6,687,520	9.87	21,734,440	26.25
	<hr/>	<hr/>	<hr/>	<hr/>
Total	67,760,000	100.00	82,806,920	100.00
	<hr/>	<hr/>	<hr/>	<hr/>

LETTER FROM THE BOARD

All parties, to the extent possible, have tried to ensure that this is the true holding of Mr. James Smith Lee and the Eleven Major Shareholders and that the revised basis will remain true by checking their shareholdings respectively against the Shareholders' register kept with the share registrar and confirming with the inspection report published on 21 December 2001 as at Latest Practicable Date. The shareholders' register will again be checked prior to the dispatch of the Prospectus to ensure that there are no changes in the shareholdings of Mr. James Smith Lee and the Eleven Major Shareholders. Should it come to the Directors' knowledge that there are any changes in the shareholdings, the Directors will inform the Stock Exchange and the public promptly. Save for those mentioned above, all other terms remain the same as published in the announcement of the Company dated 18 April 2002.

Issue statistics:

Basis of the Open Offer:	Nine Offer Shares for every four existing Shares held by each Independent Qualifying Shareholder as at Record Date
Number of existing Shares in issue:	67,760,000 Shares as at the Latest Practicable Date
Number of Offer Shares:	15,046,920 Offer Shares
Subscription Price:	\$8 per Offer Share

TERMS OF THE REVISED OPEN OFFER

Basis of entitlement

Subject to fulfillment of the conditions set out below in the section entitled "Conditions of the Open Offer", offers will be made to each Independent Qualifying Shareholder to subscribe for nine Offer Shares for every four existing Shares held by the Independent Qualifying Shareholder on the Record Date at the Subscription Price payable in full on acceptance. Fractional entitlements of Shareholders whose holdings of Shares are not integral multiples of four will not be allotted.

Subscription Price

\$8 per Offer Share, payable in full when an Independent Qualifying Shareholder accepts the relevant provisional allotment of Offer Shares. The Subscription Price has not changed since the announcement of the Company on 18 April, 2002. The Subscription Price has been agreed by the Board taking into account of the Company's net asset value and the recent discounts to market price of listed companies undergoing rights issue or open offer exercises in the current year.

The Subscription Price represents:

- (i) a discount of about 67.08% to the closing price of \$24.30 per Share as quoted on the Stock Exchange on 27 March 2002, being the last day on which the Shares were traded immediately preceding the announcement of the Company dated 18 April 2002;
- (ii) a discount of about 67.08% to the average closing price of \$24.30 per Share as quoted on the Stock Exchange on the last ten trading days up to and including 27 March 2002;

LETTER FROM THE BOARD

- (iii) a discount of about 47.37% to the closing price of \$15.20 per Share quoted on the Stock Exchange on the Latest Practicable Date;
- (iv) a discount of about 62.51% to the theoretical ex-entitlements price of \$21.34 per Share based on the closing price as quoted on the Stock Exchange on 27 March 2002;
- (v) a discount of about 62.51% to the theoretical ex-entitlements price of \$21.34 per Share based on the average closing price of \$24.30 per Share as quoted on the Stock Exchange for the ten trading days up to and including 27 March 2002;
- (vi) a discount of about 42.40% to the theoretical ex-entitlements price of \$13.89 per Share based on the closing price of \$15.20 as quoted on the Stock Exchange on the Latest Practicable Date;
- (vii) a discount of about 42.98% to the audited net tangible asset value of \$14.03 per Share as at 31st January, 2002 before completion of the Open Offer; and
- (viii) a discount of about 38.08% to the pro forma adjusted net tangible asset value of \$12.92 per Share after completion of the Open Offer.

The Board considers that since the trading of the Shares has been thin, the Subscription Price, though represents a substantial discount, is not unreasonable.

Status of the Offer Shares:

When allotted, issued and fully paid, the Offer Shares will rank pari passu in all respects with the then existing Shares. Holders of the fully paid Offer Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date on which the Offer Shares are allotted and issued.

Share Certificates:

Subject to fulfillment of the conditions of the Open Offer, share certificates for all fully-paid Offer Shares are expected to be posted to those Independent Qualifying Shareholders who have accepted and paid for the Offer Shares at their own risks on or before Monday, 9 September 2002.

Application for excess Offer Shares:

Under the Open Offer, an Independent Qualifying Shareholder is entitled to apply for any Offer Shares which are in excess of their entitlements, provided that the Directors are entitled to exercise discretion on allotment such that each Independent Qualifying Shareholder's shareholding, together with the shareholding of any of its associates following the completion of the Open Offer, will not be equal to or more than 10% of the issued share capital of the Company as enlarged by the Open Offer so as to ensure that Rule 8.08 requiring 25% of shares to be in "public hands" is restored.

LETTER FROM THE BOARD

OVERSEAS SHAREHOLDERS

The Prospectus Documents have not been and will not be registered or filed under any securities or equivalent legislation of any jurisdiction other than Hong Kong. The Directors are of the view that the offer of the Open Offer Shares to the Overseas Shareholders would or might, in the absence of compliance with registration or other special formalities in such other jurisdictions, be unlawful or impracticable. Accordingly, no Offer Shares will be offered to the Overseas Shareholders and no Application Form has been or will be sent to the Overseas Shareholders. However, a copy of the Prospectus will be sent to the Overseas Shareholders for their information only. The Overseas Shareholders are entitled to vote at the EGM.

INDEPENDENT QUALIFYING SHAREHOLDERS AND EXCLUDED SHAREHOLDERS

The Company will send the Prospectus Documents to the Independent Qualifying Shareholders. A copy of the Prospectus will be sent to the Excluded Shareholders including the Overseas Shareholders for their reference only. The Excluded Shareholders including the Overseas Shareholders will not be entitled to take part in the Open Offer so as to ensure that the 25% public float of the Company is restored.

To qualify as Independent Qualifying Shareholders, Shareholders must:

- not be Mr. James Smith Lee or his associates;
- not be one of the Eleven Major Shareholders or their associates;
- not be one of the Connected Shareholders or their associates;
- be registered as a member of the Company on the Record Date; and
- have an address in Hong Kong on the register of members of the Company on the Record Date.

The invitation to apply for the Offer Shares is not transferable or capable of renunciation and there will not be any trading in nil-paid entitlements on the Stock Exchange.

CONFIRMATION BY THE INDEPENDENT QUALIFYING SHAREHOLDERS

Upon acceptance of the Offer Shares, an Independent Qualifying Shareholder will be required to confirm to the Company in the application form that (i) he is an Independent Qualifying Shareholder who is qualified to participate in the Open Offer; and (ii) he together with parties under his control as defined in Rule 8.24 of the Listing Rules, will not upon completion of the Open Offer hold 10% or more of the issued share capital of the Company as enlarged by the Open Offer.

LETTER FROM THE BOARD

Rule 8.24 stipulates that the Exchange will not regard any connected person of the issuer as a member of “the public” or Shares held by a connected person as being “in public hands”. In addition the Exchange will not recognise as a member of “the public”:-

- (1) any person whose acquisition of securities has been financed directly or indirectly by a connected person;
- (2) any person who is accustomed to take instructions from a connected person in relation to the acquisition, disposal, voting or other disposition of securities of the issuer registered in his name or otherwise held by him.

UNDERWRITING ARRANGEMENT

The proposed Open Offer will not be underwritten as no agreement can be reached with several of the prospective underwriters contacted due to the lack of liquidity of the Company’s Shares in the market. According to Rule 7.24 (1) of the Listing Rules, the Open Offer is required to be fully underwritten. However, as the Stock Exchange has allowed the Company to proceed without an underwriter, the Open Offer will not be underwritten. The Company will proceed with the Open Offer and comply with Rule 7.24 (2) of the Listing Rules. The Company is not subject to any statutory requirements which require a minimum subscription level for its issue of Shares. The Prospectus Documents will contain full disclosure of the minimum amount, if any, which must be raised in order for the issue to proceed.

CONDITIONS OF THE OPEN OFFER

The Open Offer is conditional upon:

- (a) Independent Shareholders approving the Open Offer at the EGM by way of a poll;
- (b) the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of and permission to deal in the Offer Shares on the Stock Exchange;
- (c) the registration of all relevant documents relating to the Open Offer with the Registrar of Companies in Hong Kong in compliance with the Companies Ordinance;
- (d) the delivery to the Stock Exchange and filing and registration with the Registrar of Companies in Hong Kong respectively of one copy of the Prospectus duly certified in accordance with the Companies Ordinance;
- (e) the posting of the Prospectus Documents to the Independent Qualifying Shareholders; and
- (f) the Eleven Major Shareholders and Mr. James Smith Lee abstaining from voting at the EGM in relation to the Open Offer.

Should any of the non-Independent Shareholder(s) be found, or subsequently found, to have voted on the resolution approving the Open Offer at the EGM, those votes shall be cancelled and deemed void so as not to jeopardise the Open Offer’s purpose to restore public float.

LETTER FROM THE BOARD

REASONS FOR THE OPEN OFFER AND USE OF PROCEEDS

Mr. James Smith Lee and the Eleven Major Shareholders who together hold 60,506,080 Shares, representing approximately 89.29% of the existing issued share capital of the Company, are regarded as being under the same control of a single person according to the inspection report issued by Inspector Mr. Stephen Man-Tak Suen appointed by the Financial Secretary. Furthermore, an additional 0.84% of the total issued share capital of the Company is held by Connected Persons. According to such findings, there is a breach of Rule 8.08 of the Listing Rules, which stipulates that 25% of the Company's Shares must be held in public hands. As such, the Stock Exchange reserves the right to take disciplinary action against the Company and its Directors.

On 4 January 2002, the Company wrote to each of the Eleven Major Shareholders, seeking their comments and opinions on the results and findings of the inspection report. No response was given, although the Board was informed by Messrs. Lau, Wong & Chan on about 8 March 2002, the legal advisers to Mr James Smith Lee and the Eleven Major Shareholders, that they are seeking independent financial advice relating to alternatives to restore the minimum public float requirement. Indication was given by Mr. James Smith Lee and the Eleven Major Shareholders for alternatives to address the breach. On 28 June 2002 the Company received a letter from Messrs. Lau, Wong and Chan and was advised that Mr. James Smith Lee and the Eleven Major Shareholders have engaged Ka Wah Capital Limited as their financial advisers and are looking into the possibility of a private placement of the Shares held by Mr. James Smith Lee and the Eleven Major Shareholders. However, no details or concrete proposals have been provided. As such, the Open Offer is still the initiative to help restore the public float. As no underwriting agreement has been entered into by the Company, it is uncertain as to whether the Offer Shares would be fully subscribed and whether following completion of the Open Offer there would be sufficient public float.

The Board intends to use the net proceeds of approximately \$118.9 million to repay outstanding bank debts of the Group, which had outstanding balance of approximately \$137.8 million as at 31 January 2002 according to its audited consolidated balance sheet as at that date. The Group has a recorded bank balance and cash of HK\$71.3 million as at 31 January 2002.

Although Mr. James Smith Lee and the Eleven Major Shareholders has indicated to the Company that they are taking steps to place down their aggregate shareholding to assist the restoration of the Company's public float, no detail or concrete proposals have been put forward. As such and given the poor response from the potential underwriters when exploring the possibility of the placing of the Company's shares to independent third parties, the Directors consider that, as the Open Offer will enlarge the capital base of the Company and enable it to comply with the public float requirement, the Open Offer is the most feasible alternative.

Therefore, the Board believes that the Open Offer which although requires the minority Shareholders' participation to help address the public float issue, it is still considered as the best alternative for the time being until Mr. James Smith Lee and the Eleven Major Shareholders come up with a concrete proposal on the proposed private placement, which upon further concrete development, the Company will notify the Stock Exchange and the public and will reconsider whether to proceed with the Open Offer. Letter from Quam Capital, the independent financial adviser to the Independent Board Committee who will advise the Independent Qualifying Shareholders, considers the Open Offer to be one of the "fair and reasonable" alternatives, given the circumstances, to restore the public float.

LETTER FROM THE BOARD

POSITION OF SOME INDEPENDENT SHAREHOLDERS

The Company received a letter dated 27 May 2002, from the legal advisers representing a group of minority shareholders purportedly holding in aggregate 3,967,780 Shares and representing approximately 59% of the Independent Shareholders (the “Represented Independent Shareholders”) putting the Company on notice that they will decline to sanction the proposed Open Offer at the EGM. The Company is in the course of verifying the identity and the respective shareholdings of the Represented Independent Shareholders against the records maintained at the register of members of the Company with a view to properly assess the impact of their position upon the proposed Open Offer. The Company was advised by the legal advisers of the Represented Independent Shareholders that some of the Represented Independent Shareholders are holding their Shares through their respective nominees. The Company has written further on 7 June 2002 to the legal advisers, of the Represented Independent Shareholders requesting for documentary proof that those Shares registered in the names of those nominees are in fact held for the benefit of those Represented Independent Shareholders. On 21 June 2002, the legal advisers of the Represented Independent Shareholders had provided the requested documentary proof to the Company’s legal advisers and the Company is in the process of verifying the same.

In order to resolve the public float issue and also not to prejudice the opportunity of those minority Shareholders other than the Represented Independent Shareholders from participating in the proposed Open Offer, the Company has, through its legal advisers, written to the legal advisers acting for the Represented Independent Shareholders on 7 June 2002 urging them to reconsider their position on the proposed Open Offer. If it is verified that the identities and the respective shareholdings of the Represented Independent Shareholders are indeed true and if the Represented Independent Shareholders do not change their minds regarding their position on the proposed Open Offer, then the Company will face a possibility that the Open Offer will be voted down by these Shareholders and the Open Offer may not be able to proceed.

Should the Open Offer not be completed and the Company is unable to find a viable alternative to restore Rule 8.08, the Exchange will consider appropriate actions, including but not limited to a suspension of trading of the Shares of the Company until the public float issue is resolved.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 7 August 2002 to Tuesday, 13 August 2002 (both days inclusive) for the purpose of determining the entitlement of Shareholders under the Open Offer. No transfers of Shares may be registered during this period.

In order to qualify for the Open Offer, Shareholders must lodge any transfers of Shares (with the relevant share certificates) with the Company’s share registrar Sums Limited at 1601 Wing On Centre 111 Connaught Road, Central, Hong Kong by 4:00 p.m. on Tuesday, 6 August 2002.

LISTINGS AND DEALINGS

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Offer Shares. Dealings in the Offer Shares are expected to commence on Wednesday, 11 September 2002. No securities of the Company are listed or dealt in on any stock

LETTER FROM THE BOARD

exchange other than the Stock Exchange and no application has been made or is currently proposed to be made for the Shares or for any securities of the Company to be listed or dealt in on any other stock exchange.

Subject to the granting of the listing of, and permission to deal in, the Offer Shares on the Stock Exchange, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealing in the Offer Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Dealings in the Offer Shares will be subject to payment of stamp duty in Hong Kong.

It should be noted that the existing Shares will be dealt in on an ex-offer entitlement basis to the Open Offer as from Monday, 5 August 2002 and there will not be any trading in the Offer Shares in their nil-paid form. Such dealings in the Shares will not take place whilst the conditions to which the Open Offer is subject remain unfulfilled. A person dealing in the ex-offer entitlement Shares will accordingly bear the risk that the Open Offer may not become unconditional and may not proceed. Any person contemplating selling or purchasing existing Shares during such period who is in doubt about his/her position is recommended to consult his/her professional adviser. Subject to the fulfillment of the conditions of the Open Offer, share certificates for all Offer Shares are expected to be posted by Monday, 9 September 2002 to those Independent Qualifying Shareholders who have duly accepted and paid for the Offer Shares.

GENERAL MANDATES TO ISSUE SHARES

A resolution will be put to the Shareholders at the EGM to approve the granting of the general mandate to the Directors to allot, issue and deal with additional Shares equal to a maximum of 20% of the issued share capital of the Company at the date of passing such resolution and as enlarged by the issue of the new Shares pursuant to the Open Offer.

The general mandate will remain effective until the conclusion of the Company's next annual general meeting or the expiration of the period within which the next annual general meeting of the Company is required by any applicable law or the articles of association of the Company to be held or until revoked or varied by an ordinary resolution of the Shareholders, whichever occurs first.

EGM

Given that (1) the discount of the subscription price is relatively substantial; (2) the primary purpose of the Open Offer is not to raise fund but to increase the public float of the Company; (3) the authority given to the Company under the General Mandate cannot be exercised other than for a justifiable purpose; and (4) the Company can only allot Shares representing a maximum of 20% of its issued share capital under the General Mandate (the Offer Shares represent 22.2% of the issued share capital of the Company), the Board considers that it is necessary to convene an EGM to approve the Open Offer at such a level of discount.

A notice convening the EGM to be held at Gloucester Room II, 2/F, The Excelsior, Hong Kong, 281 Gloucester Road, Causeway Bay, Hong Kong at 4:00pm on Thursday, 1 August 2002 is set out on pages 67 to 70 of this circular. At the EGM, an ordinary resolution will be proposed to approve the Open Offer. The Open Offer is conditional, inter alia, on approval by the Independent Shareholders at the EGM

LETTER FROM THE BOARD

by way of a poll. Mr. James Smith Lee, the Eleven Major Shareholders, Mr. Lee, Teh Yee, William and Modern Aspac have all undertaken to abstain from voting on the resolution to approve the Open Offer.

Shareholders who vote as Independent Shareholders on the resolution relating to the Open Offer at the EGM should satisfy themselves that they are qualified to vote as Independent Shareholders and take sole responsibilities for any actions which may be taken by the Stock Exchange or other recognised regulatory bodies if it is found out that they are indeed the Connected Shareholders as at the date of EGM.

Whether or not you are able to attend and vote at the EGM, you are requested to complete the enclosed proxy form and return it to the share registrar of Oxford Properties & Finance Limited, Sums Limited at 1601 Wing On Centre, 111 Connaught Road Central, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM. Completion and return of the proxy form will not preclude you from subsequently attending and voting at the EGM or any adjourned meeting should you so wish.

SHAREHOLDERS TO ABSTAIN FROM VOTING AT THE EGM

As the primary purpose of the Open Offer is to increase the public float of the Company, the Open Offer will not be available for subscription by (1) the Eleven Major Shareholders who together hold approximately 89.16% of the issued share capital of the Company (2) Mr. James Smith Lee, who holds 0.13% registered under his name (3) Lee Teh Yee, William, who is a Director of the Company and personally has beneficially interested in 0.05% of the issued share capital of the Company and (4) Modern Aspac, owned as to 50% by the Company and 50% by Lee Teh Yee, William and James Smith Lee through two private companies, is beneficially interested in 0.79% of the issued share capital of the Company. The Open Offer will also not be available for subscription by any other Connected Shareholders although the Company is not aware of the existence of any Connected Shareholders (other than the Eleven Major Shareholders, James Smith Lee, Lee Teh Yee, William and Modern Aspac) as at the Latest Practicable Date.

RECOMMENDATION

Quam Capital has been appointed to advise the Independent Board Committee with regards to the terms of the Open Offer. After taking into account the advice and recommendation of Quam Capital, the Independent Board Committee considers that the terms of the Open Offer to be fair and reasonable so far as the Independent Qualifying Shareholders are concerned and in the interests of the Company and Shareholders as a whole and therefore recommends the Independent Shareholders to vote in favour of the resolutions set out in the notice convening the EGM to approve the Open Offer at the EGM. The full text of the letter from Quam Capital containing its recommendation are set out on pages 17 to 27 of this circular.

Your attention is drawn to Appendix II of this circular, which sets out the schedule of properties of the Company in Guam and in Hong Kong, as prepared by Micronesian Appraisal Associates, Inc. and DTZ Debenham Tie Leung Limited, respectively, which is aimed to address enquiries from shareholders and to improve transparency of the Company. Please also refer to the notice of EGM and other appendices as set out in this circular.

Yours faithfully,
By order of the Board of
Oxford Properties & Finance Limited
Wong Shu Yuen
Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

OXFORD PROPERTIES & FINANCE LIMITED

(incorporated in Hong Kong with limited liability)

2 July 2002

To the Independent Shareholders

Dear Sir or Madam,

**OPEN OFFER OF 15,046,920 SHARES OF HK\$1 EACH
IN THE CAPITAL OF THE COMPANY AT HK\$8 PER OFFER SHARE
ON THE BASIS OF NINE OFFER SHARES FOR EVERY FOUR EXISTING
SHARES HELD BY INDEPENDENT QUALIFYING SHAREHOLDERS
PAYABLE IN FULL ON ACCEPTANCE**

We have been appointed by the Directors to advise you in connection with the Open Offer. Details of the Open Offer are set out on pages 5 to 15 of the circular (“Circular”), of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter.

We wish to draw to your attention to the Letter From the Board set out on pages 5 to 15 of the Circular and the letter of advice from Quam Capital set out on pages 17 to 27 of the Circular. Having taken into account the advice and recommendation of Quam Capital, we consider the terms of the Open Offer to be fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions set out in the notice convening the EGM to approve the Open Offer at the EGM.

Yours faithfully,
For and on behalf of
Independent Board Committee
Cheung Tze Fat, Alfred
Lau Hak Lap, Arthur

LETTER FROM QUAM CAPITAL

The following is the text of a letter received from Quam Capital regarding the Open Offer prepared for the purpose of inclusion in this circular.



嘉洛證券融資有限公司
Quam Capital Limited

2 July 2002

The Independent Board Committee
Oxford Properties & Finance Limited
1601 Wing On Centre
111 Connaught Road Central
Hong Kong.

Dear Sirs,

**OPEN OFFER OF 15,046,920 OFFER SHARES
TO INDEPENDENT QUALIFYING SHAREHOLDERS
AT A SUBSCRIPTION PRICE OF \$8 PER OFFER SHARE
ON THE BASIS OF NINE OFFER SHARES FOR
EVERY FOUR EXISTING SHARES HELD
PAYABLE IN FULL ON ACCEPTANCE**

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee on the terms of the Open Offer. Details of the Open Offer are set out in a circular to the Shareholders dated 2 July 2002 (the "Circular"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

Mr. Chow Sy Pien, aged 82, will not become a member of the Independent Board Committee to give advice to the Independent Shareholders for health reasons. We were advised by the Board that Mr. Chow has had a major operation recently. Mr. Chan Kam Lun, Daniel is not considered independent to be appointed to the Independent Board Committee as Lau, Wang & Chan, which Mr. Chan is a partner, has been appointed by Mr. James Smith Lee and the Eleven Major Shareholders to advise on the alternatives to restore the Company's public float. Given that Mr. Cheung Tze Fat, Alfred and Mr. Lau Hak Lap, who are neither salaried Directors nor involved in the Open Offer, they have been appointed to be the members of the Independent Board Committee.

As an independent financial adviser to the Independent Board Committee, our role is to give an independent opinion to the Independent Board Committee for it to advise the Independent Shareholders as to whether the respective terms and conditions of the Open Offer are fair and reasonable so far as the Independent Shareholders are concerned.

In formulating our recommendation, we have relied upon the information and facts supplied to us by the Company and its advisers. We have assumed that all information and representations contained or

LETTER FROM QUAM CAPITAL

referred to in the Circular, which have been provided by the Directors and for which they are wholly responsible, are true and accurate in all respects at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they are made and continue to be true at the date of the Circular. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the Directors have confirmed to us that no material facts have been omitted from the information provided and referred to in the Circular.

We consider that we have reviewed sufficient information to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information, nor have we conducted any form of in-depth investigation into the business and affairs of the Group.

Furthermore, it is noted that one of the conditions of the proposed Open Offer is the approval of the Open Offer by the Independent Shareholders at the EGM by way of a poll (the “Relevant Resolution”). As state in the section headed “LETTER FROM THE BOARD” in the Circular, Mr. James Smith Lee, the Eleven Major Shareholders, Mr. Lee Teh Yee, William and Modern Aspac have undertaken to abstain from voting on the Relevant Resolution. As an additional precaution, there is a reminder incorporated in the EGM notice that Shareholders who vote as Independent Shareholders on the Relevant Resolution should satisfy that they are qualified to vote as Independent Shareholders and should take sole responsibilities of any actions which may be taken by the Stock Exchange or other recognised regulatory bodies should they turn out to be one of the Connected Shareholders or their Associates. We understand that as a standard procedure, the Company’s registrar will only count the votes cast by the Independent Shareholders for the Relevant Resolution at the EGM. In view of the foregoing, we are satisfied that sufficient arrangements have been put into place regarding the voting for the Relevant Resolution at the EGM.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Reasons for the Open Offer

It was stated in the “Letter from the Board” in the Circular that the main objective of the Open Offer is to restore the Company’s public float to 25% of its issued share capital as required by Rule 8.08 of the Listing Rules. As at the Latest Practicable Date, Mr. James Smith Lee and the Eleven Major Shareholders who together held 60,506,080 Shares, representing approximately 89.29% of the existing issued share capital of the Company, were regarded by the authorities as being under the same control of a single person and a further 0.84% of the existing issued share capital was held by connected persons as defined under the Listing Rules. Accordingly, there was a breach of the aforesaid Listing Rules requirement.

The Company has been advised by the Stock Exchange that if the required minimum public float was not restored before 20 January 2002, it would take the matter to Listing Committee for appropriate action including but not limit to a suspension of trading. The Company was unable to meet aforesaid

LETTER FROM QUAM CAPITAL

deadline due to the fact that Mr. James Smith Lee and the Eleven Major Shareholders could not come up with a definite plan for increasing Company's public float before the said deadline.

It is reasonable to expect that if the Company fails to rectify the insufficient public float issue by the proposed Open Offer or failing which other alternatives, the Stock Exchange may take further actions against the Company, which may include a prolonged suspension of trading in the Shares. Under such scenarios, the Shareholders including the minority Shareholders may face a situation that there will be no open market for their interests in the Company.

In general, the two most commonly used methods by which a listed company can increase its public float include:

- (a) placing of existing shares by the company's controlling or substantial shareholders to independent third parties ("Placement of Existing Shares"); and
- (b) issue of new shares by the company to third-party investors, or to existing shareholders who are independent of the controlling or substantial shareholders or other connected persons (as defined under the Listing Rules) of the company ("New Shares Placement").

The Board has liaised with Mr. James Smith Lee and the Eleven Major Shareholders in relation to the possible solution for the Company's insufficient public float issue. However, the Board has been informed by Messrs. Lau, Wong & Chan, the legal adviser to Mr. James Smith Lee and the Eleven Major Shareholders, on 8 March 2002 that they were seeking independent financial advice relating to alternatives to restore the required minimum public float. Mr. James Smith Lee and the Eleven Major Shareholder has appointed Ka Wah Capital Limited as their financial adviser to this matter. However, up to the Latest Practicable Date, Mr. James Smith Lee and the Eleven Major Shareholders have not provided the Company any definite plan and timetable relating to these alternatives. In our opinion the first opinion from the perspective of the minority Shareholders is the preferred method for the Company for restoration of the public float. However, without the cooperation of the Eleven Major Shareholders, such alternative is not currently available to the Company.

In respect of the second option of a New Shares Placement, we were advised that the Company has approached a number of investment banks to explore the possibility of placing new Shares to independent places but no positive response has been received. Furthermore, it should be noted that a New Shares Placement will undoubtedly have a dilution effect on the shareholding interests of the minority Shareholders. In contrast, under the proposed Open Offer, all minority Shareholders are given a right to subscribe for the Offer Shares to be issued in proportion to their shareholdings.

Normally, for open offers undertaken by Hong Kong listed companies, all the shareholders of the subject companies are entitled to subscribe for the offer shares. However, in the case of the proposed Open Offer, only the Independent Qualifying Shareholders have rights to subscribe for the Offer Shares. As stated above, the major objective of the proposed Open Offer is to restore the Company's required minimum public float. Should Mr. James Smith Lee, the Eleven Major Shareholders and the Connected Shareholders (together the "Controlling Shareholders") be given proportional rights to participate in the proposed Open Offer, it will fail to achieve its purpose. As such, we believe that the arrangement that the Controlling Shareholders and other connected persons (as defined under the Listing Rules) are not required to participate in the proposed Open Offer is acceptable under the circumstances.

LETTER FROM QUAM CAPITAL

As discussed above, we believe that a Placement of Existing Shares is the preferred option from the minority shareholders' perspective for restoration of the Company's required minimum public float. The breach of the minimum public float requirement is due to the fact that the Controlling Shareholders have more than 90% shareholding in the Company, Nevertheless, we are of the view that, on balance the proposed Open Offer is, given the circumstances one of the fair and reasonable alternatives to the Minority Shareholders as at the Latest Practicable Date after taking into account the following factors:

- The lack of response or cooperation of the Controlling Shareholders up to the Latest Practicable Date;
- That the Company has explored the possibility of a New Shares Placement with a number of investment banks, but up to the Latest Practicable Date no positive response has been received in this respect;
- The potential risk of a prolonged suspension of trading in the Shares, should the Company fail to take immediate action to rectify the insufficient public float issue.

It should be noted that one alternative to restoration of the Company's required minimum public float is privatisation of the Company. However, this also requires the cooperation of the Controlling Shareholders. As at the Latest Practicable Date, such cooperation is not forthcoming, and thus such option is currently not available to the Company.

2. The Subscription Price

As stated in the "Letter from the Board" in the Circular, the Board has determined the Subscription Price after taking into consideration of the Company's net asset value and the discounts to market price represented by the relevant subscription prices for listed companies undertook rights issue or open offer recently.

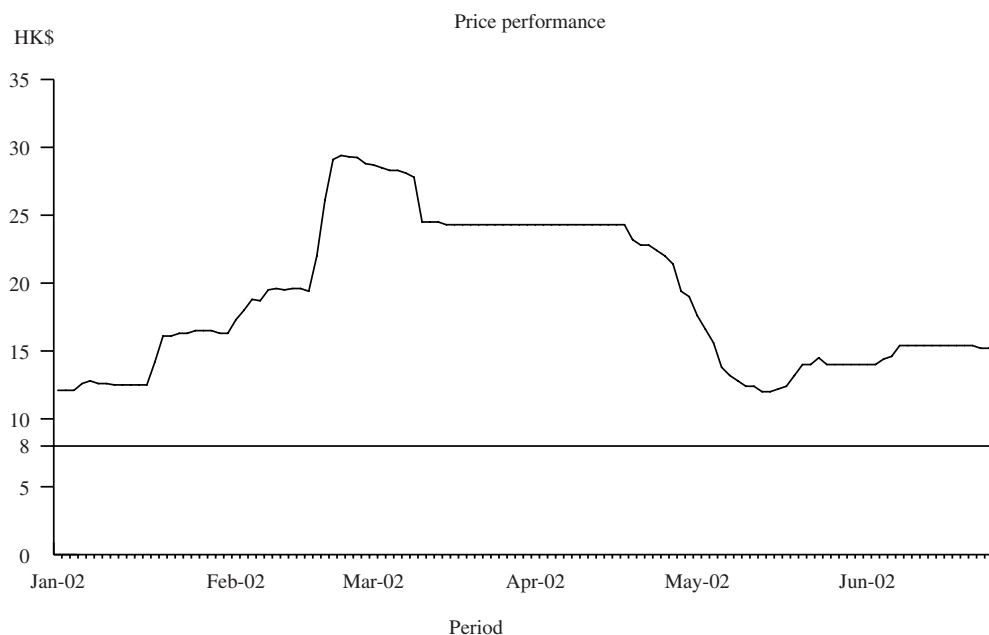
The Subscription Price represents:

- (a) a discount of around 67.08% to the closing price of HK\$24.30 per Share as quoted on the Stock Exchange on 27 March 2002, being the last trading day of the Shares immediately preceding the announcement of the Company dated 18 April 2002;
- (b) a discount of around 67.08% to the average closing price of HK\$24.30 per Share quoted on the Stock Exchange for the ten trading days up to and including 27 March 2002;
- (c) a discount of around 47.37% to the closing price of HK\$15.20 per Share quoted on the Stock Exchange on the Latest Practicable Date;
- (d) a discount of around 62.51% to the theoretical ex-entitlement price of HK\$21.34 per Share based on the closing price of HK\$24.30 per Share quoted on the Stock Exchange on 27 March 2002;

LETTER FROM QUAM CAPITAL

- (e) a discount of around 62.51% to the theoretical ex-entitlement price of HK\$21.34 per Share based on the average closing price of HK\$24.30 per Share quoted on the Stock Exchange for the ten trading days up to and including 27 March 2002; and
- (f) a discount of around 42.40% to the theoretical ex-entitlement price of HK\$13.89 per Share based on the closing Share price of HK\$15.20 quoted on the Stock Exchange on the Latest Practicable Date.

Set out below is a table showing the closing price of the Shares for the period from 1 January 2002 to the Latest Practicable Date.



We compare the discount of Subscription Price to the closing price of the Shares immediately prior to the announcements of the proposed Open Offer to other open offers and rights issues announced during the period between 1 January 2002 and the Latest Practicable Date (the “Relevant Period”). During the Relevant Period, there have been five open offers and 19 rights issues undertaken by companies listed on the main board of the Stock Exchange (excluding the Company).

LETTER FROM QUAM CAPITAL

The following table provides an analysis of the subscription prices in comparison to the relevant share prices of the companies undergoing the aforementioned fund-raising exercises during the Relevant Period:

Name of issuer <i>(Note 1)</i>	Date of announcements of the rights issue/ open offer 2002	Subscription price HK\$	Share price <i>(Note 2)</i> HK\$	Premium/ (Discount) to share price
Kwong Hing International (Bermuda) Limited	8 January	0.04	0.06	(33.3%)
Wang On Group Limited <i>(Note 3)</i>	17 January	0.024	0.018	33.3%
Digital World Holdings Limited	18 January	0.015	0.10	(85.0%)
Winfoong International Limited*	21 January	0.195	0.166	17.5%
Bossini International Holdings Limited	24 January	0.46	0.47	(2.1%)
Wo Kee Hong (Holdings) Limited	4 February	0.035	0.055	(36.4%)
Shimao China Holdings Limited	5 February	0.65	0.7	(7.1%)
New World Cyberbase Limited	20 February	0.05	0.068	(26.5%)
Applied (China) Limited	27 February	0.073	0.10	(27.0%)
China Star Entertainment Limited	20 March	0.05	0.091	(45.1%)
Shun Tak Holdings Limited	22 March	1.00	1.21	(17.4%)
Vision Century Corporation Limited	28 March	0.42	0.56	(25.0%)
Playmates Interactive Entertainment Limited	28 March	0.26	0.295	(11.9%)
HiNet Holdings Limited*	2 April	0.018	0.022	(18.2%)
Can Do Holdings Limited* <i>(Note 3 and 4)</i>	3 April	0.025	0.079	(68.4%)
AV Concept Holdings Limited	3 April	0.26	0.29	(10.3%)
B-Tech (Holdings) Limited	10 April	0.084	0.40	(79.0%)
Winsan (China) Investment Group Company Limited*	24 April	0.115	0.121	(5.0%)
Gold Wo International Holdings Limited	2 May	0.016	0.06	(73.3%)
China United Holdings Limited	17 May	0.02	0.50	(96.0%)
Peace Mark (Holdings) Limited	7 June	0.18	0.54	(66.7%)
Styland Holdings Limited	17 June	0.098	0.244	(59.8%)
Cedar Base Electronic (Group) Limited* <i>(Note 3 and 4)</i>	17 June	0.025	0.064	(60.9%)
Lai Fund Holdings Limited <i>(Note 4)</i>	25 June	0.10	0.182	(45.1%)
Range				(96.0%) to 33.3%
Average discount to share price				(40.9%)
The Company		8.00	24.30	(67.08%)

LETTER FROM QUAM CAPITAL

Notes:

1. Issuers undertook rights issues except those marked with *, which undertook open offers.

A rights issue is an offer by way of rights to existing holders of securities which enables those holders to subscribe securities in proportion to their existing holdings. An open offer is also an offer to existing holders of securities to subscribe securities, but unlike a rights issue, the rights may or may not be in proportion to their existing holdings and not allotted to them on renounceable documents. Because of the close similarity between the two fund-raising methods, we have included in our analysis recent examples of open offers undertaken by Hong Kong listed companies.

2. The share price is the closing price of the relevant shares quoted on the Stock Exchange on the last trading day immediately prior to the announcements of the relevant open offer/rights issue (the "Prevailing Market Price").
3. Bonus shares were issued upon subscription of the offer shares/ rights shares ("Bonus Issue") and the relevant subscription price quoted in the above table has been adjusted to reflect the dilution effect of such bonus issues.
4. The subscription price of the open offer/rights shares (before the adjustment for a Bonus Issue, if applicable) undertaken by the company was equal to the par value of its shares below which a company cannot issue new shares.

In order to enhance the attractiveness of the offer, it is the local market practice that the subscription price of a rights issue or an open offer will represent a discount to the prevailing market price of the relevant shares. As demonstrated in the table above, other than two on exceptional cases (namely, Wang On Group Limited and Winfoong International Limited), 22 of the 24 rights issues/ open offers undertaken by Hong Kong listed companies during the Relevant Period were made at a discount to the then Prevailing Market Price of the relevant shares. The discount ranged from the lowest discount of around 2.1% to the highest of around 96.0%, and with an average discount of around 40.9%. The discount offered by the Subscription Price is above the average in these rights issues and open offers but within the range of discounts. On this basis, we consider that the discount offered by the Subscription Price to the price per Share of around 67% is acceptable.

3. Effect on shareholding interests of the Independent Qualifying Shareholders

As at the Latest Practicable Date, the Offer Shares represent around 22.2% of the Company's existing share capital and around 18.2% of the share capital as enlarged by the Open Offer assuming full subscription by the Independent Qualifying Shareholders.

Under the proposed Open Offer, each Independent Qualifying Shareholder is entitled to subscribe for nine Offer Shares for every four existing Shares held on the Record Date. Assuming the Open Offer is fully subscribed, and based on the Company's shareholding structure as at the Latest Practicable Date, 15,046,920 new Shares will be issued. Consequently, the shareholding interest of the Controlling Shareholders will be diluted from about 90.13% to 73.75% whereas the shareholding interest of the public Shareholders will be increased from about 9.87% to about 26.25%.

Individual Independent Qualifying Shareholders who subscribe for Offer Shares under the proposed Open Offer would increase their proportional shareholding interest in the Company. However, it is noted that the Open Offer is not underwritten. An individual Independent Qualifying Shareholder who does not subscribe for any of his entitlement under the Open Offer may or may not have his shareholding interests diluted depending on the level of subscription upon Completion. The following table shows the possible dilution effect on the shareholding of an individual Independent Qualifying Shareholder who does not

LETTER FROM QUAM CAPITAL

subscribe any Offer Shares under the proposed Open Offer, corresponding to different levels of subscription for the Open Offer:

Level of subscription	Dilution effect ^{Note}
0%	0%
25%	5.3%
50%	10.0%
75%	14.3%
100%	18.2%

Note: The dilution effect is calculated as the decrease in the percentage shareholding of an individual Independent Qualifying Shareholder who does not subscribe for any Offer Shares under the proposed Open Offer divided by their original percentage shareholding before the proposed Open Offer.

As discussed in paragraph 1 headed “Reasons for the Open Offer”, one of the possible options for restoring the Company’s public float is a New Shares Placement. Should the Company effect such a placement by way of a full exercise of the general mandate granted to the Board on 6 July 2001, the minority Shareholder would have suffered a decrease of around 16.7% in his/her shareholding interest in the Company. This is only slightly lower than the maximum possible effect on an Independent Qualifying Shareholder’s interest of a 18.2% decrease in his/her percentage shareholding in the Company upon Completion. Therefore, we are of the opinion that the possible maximum dilution effect on the Independent Qualifying Shareholders’ shareholding interest is acceptable.

It should be noted that there will be no trading in nil paid Offer Shares or splitting of entitlement for the proposed Open Offer. Accordingly, Independent Qualifying Shareholders may choose either to take up in full their entitlements (and/or apply for additional Offer Shares which are in excess of their entitlements if they wish but in any case not more than 10% of the issued share capital of the Company as enlarged by the Open Offer) or waive all of their entitlements which may result in having their shareholdings diluted if the Open Offer proceeds, depending on the level of subscription upon Completion.

4. Financial effects of the Open Offer

(i) Net asset value

As noted from the section headed “Pro-forma statement of adjusted net tangible assets of the Group” in Appendix I to the Circular, assuming full subscription of the proposed Open Offer, the pro forma adjusted unaudited consolidated net tangible assets (“NTA”) of the Group will increase from around HK\$950.89 million to around HK\$1,069.76 million, representing an increase of around 12.5% over the audited NTA of the Group as at 31 January 2002. On the other hand, the pro forma NTA per Share will decrease from around HK\$14.03 to HK\$12.92 following Completion, representing a decrease of around 7.9%.

The decrease in NTA per Share after the Open Offer is due to the fact that the Offer Shares are offered at a discount to NTA per Share before the proposed Open Offer. Given that the proposed Open Offer will strengthen the capital base of the Company, we consider that the decrease in NTA per Share to be acceptable.

LETTER FROM QUAM CAPITAL

(ii) *Gearing ratio*

As at 31 January 2002 (the date of the Company's latest published audited accounts), the Group had cash holdings of around HK\$71.34 million and total interest bearing bank and other borrowings of around HK\$137.92 million. Hence, with a net borrowing position of around HK\$66.44 million and shareholders funds of around HK\$950.89 million, the Group's gearing ratio before the Open Offer is around 14.5%.

Assuming full subscription of the proposed Open Offer and the HK\$118.88 million from the net proceeds of the Open Offer to be applied as intended for the repayment of the Group's outstanding bank debts, the gearing ratio will decrease to 2.0%. In this regard, we consider the proposed Open Offer to be in the interest of the Company.

5. Risk factors of the Open Offer

(i) *Liquidity of the Shares*

The average daily turnover of the Shares during the period from 1 January 2002 to the Latest Practicable Date (barring the period from 28 March 2002 to 18 April 2002 and 10 June 2002 to 24 June 2002, during which period the Shares were suspended from trading) represents a turnover of less than 0.01% of the Company's issued share capital of 67,760,000 Shares as at the Latest Practicable Date.

Except in the case that there is no subscription of Offer Shares by the Independent Qualifying Shareholders, the number of Shares in public hands will be increased upon Completion. **However, there is no assurance that this will lead to improvement in the liquidity of the Shares. Given the past history in the trading volumes of the Shares, the Independent Qualifying Shareholders who decide to subscribe for their entitlement under the proposed Open Offer may find it difficult to realise their investment in the Company on the Stock Exchange if the liquidity of the Shares does not improve following Completion.**

(ii) *Uncertainty over the outcome of the proposed Open Offer*

The Company through its financial adviser has approached a number of investment banks to underwrite the Open Offer but no positive response has been received. The proposed Open Offer will not be underwritten as no agreement has been reached as at the Latest Practicable Date. Therefore, in the event that the Open Offer is not subscribed up to the level required to maintain the minimum public float, the objective of achieving 25% public float may not be fulfilled. Depending on the level of subscription upon Completion, it is possible that trading in the Shares on the Stock Exchange may be suspended again.

In addition, the Company received a letter dated 27 May 2002 from the legal advisers representing 58.83% of the minority Shareholders, putting the Company on notice that they will decline to sanction the proposed Open Offer at the EGM. Should these Shareholders vote against the resolution regarding the Open Offer at the EGM, the proposed Open Offer will not proceed.

LETTER FROM QUAM CAPITAL

6. Future intention of the Board

We have been advised by the Board that in the event that:

- the proposed Open Offer is not approved by the Independent Shareholders at the EGM; or
- the proposed Open Offer is approved by the Independent Shareholders at the EGM but the proposed Open Offer is not subscribed up to the level which the minimum public float requirement under the Listing Rules is fulfilled upon completion of the Open Offer,

it will consider other alternatives, such as placing of Shares to restore the Company's public float, and will continue to seek the co-operation of the Eleven Major Shareholders in this regard. There is no guarantee that Mr. James Smith Lee and the Eleven Major Shareholders will come up with a definite plan to resolve the public float issue in the future should the proposed Open Offer fail to achieve its objective. Minority Shareholders should take note of the possible consequences of the Company failing to rectify the minimum public float requirements of the Listing Rules as discussed in paragraph 1 headed "Reasons for the Open Offer".

7. Financial performances and prospects of the Group

A summary of the Group's financial information for the last two financial years is set out in Appendix I to the Circular. There was a mild increase in the Group's turnover from around HK\$75,213,000 for the year ended 31 January 2001 (the "Financial Year 2000") to HK\$75,552,000 for the year ended 31 January 2002 (the "Financial Year 2001"). We found the growth rate of the Group's turnover, however, has dropped significantly from around 13.50% to around 0.45% over the corresponding financial years as a result of the continuously weak property market in Hong Kong.

For the Financial Year 2001, the Group reported a net loss after taxation and minority interests of around HK\$11 million, down from a net profit of around HK\$32 million for the Financial Year 2000, due to an impairment loss of HK\$58 million made against the Group's land in Guam, the United States of America, as disclosed in the Company's annual report for the Financial Year 2001. Excluding the effect of this impairment loss, net of minority interests, the Group would otherwise have made a net profit of around HK\$39 million for the Financial Year 2001 compared to HK\$32 million for the previous year.

Despite of the stable financial performance of the Group for the Financial Year 2001, the Board expects the economy of the United States of America and Hong Kong to continue to be weak and suffer from depression for another one or two years and are expected to have a direct impact on the performance of the Group's business. As such, we consider that, in the context of the difficult outlook of the economy of United States of America and Hong Kong, the Group's performance would very much be subject to the direction of the Board in the pursuit and implementation of the Group's strategies. In addition, it should be noted that the net proceeds of the Open Offer are earmarked for the repayment of the Group's outstanding bank debts. Hence, the future development of the Group will be financed by internal financial resources and/or future fund raisings. Accordingly, it is difficult if not impossible for us to comment at this state as to whether the future prospect of the Group will eventually be improved after completion of the proposed Open Offer.

LETTER FROM QUAM CAPITAL

RECOMMENDATION

Having considered the principal factors and reasons as referred to above, in particular, the following:

- The potential risk of a prolonged suspension of trading in the Shares, should the Company fail to rectify the issue of insufficient public float as required by the Listing Rules.
- The options for restoration of its public float to the required minimum level currently available to the Company as at the Latest Practicable Date.
- The comparison of the Subscription Price to the relevant subscription price of recent cases of open offers or rights issues undertaken by Hong Kong listed companies.
- The maximum dilution effect on the shareholding interest of an Independent Qualifying Shareholder who do not subscribe for any Offer Shares.
- The financial impact of the proposed Open Offer on the financial position of the Group.

we are of the opinion that the terms and conditions of the Open Offer are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole.

We therefore advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolutions to approve the Open Offer to be proposed at the EGM.

The Independent Shareholders should note that if:

- **the proposed Open Offer is not approved by them at the EGM; or**
- **the proposed Open Offer is approved by them at the EGM but the Open Offer is not subscribed up to the level at which the required minimum public float under the Listing Rules is restored upon completion of the Open Offer,**

then the objective of rectifying the Company's breach of Rule 8.08 of the Listing Rules will not be achieved. The Independent Shareholders should note the potential risk of a prolonged suspension of trading of the Shares on the Stock Exchange.

Yours faithfully,
For and on behalf of
Quam Capital Limited
Adrian J. Bradbury
Director

APPENDIX I FINANCIAL INFORMATION REGARDING THE GROUP

1. SHARE CAPITAL

The authorised and issued share capital of the Company immediately following the completion of the Open Offer (assuming full subscription of the Open Offer) will be as follows:

HK\$

Authorised:

<u>100,000,000</u>	ordinary Shares of HK\$1 each	<u>100,000,000</u>
--------------------	-------------------------------	--------------------

Issued and fully paid:

67,760,000	ordinary Shares of HK\$1 each in issue as at the Latest Practicable Date	67,760,000
<u>15,046,920</u>	Offer Shares of HK\$1 each to be issued pursuant to the Open Offer	<u>15,046,920</u>
<u>82,806,920</u>	Shares in issue immediately upon completion of the Open Offer	<u>82,806,920</u>

All of the Shares in issue rank pari passu, in all respects with each other, including in particular, rights as to dividends, voting and capital.

The Offer Shares will, when allotted, issued and fully-paid, rank pari passu in all respects with the Shares then in issue on the Record Date including the right to receive all dividends and other distributions which may be declared, made or paid after the date on which the Offer Shares are allotted.

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

There were no other options, warrants or conversion rights affecting the Shares outstanding as at the Latest Practicable Date.

APPENDIX I FINANCIAL INFORMATION REGARDING THE GROUP

2. SUMMARY OF FINANCIAL INFORMATION

- (a) The following is a summary of the audited financial information of the Group in respect of the three years ended 31st January 2002:

	Year ended 31st January,		
	2002	2001	2000
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
RESULTS			
TURNOVER	<u>75,552</u>	<u>75,213</u>	<u>66,265</u>
PROFIT (LOSS) BEFORE TAXATION	(10,486)	40,684	31,911
Taxation	<u>(5,263)</u>	<u>(5,609)</u>	<u>(4,103)</u>
PROFIT (LOSS) BEFORE MINORITY INTERESTS	(15,749)	35,075	27,808
Minority interests	<u>4,559</u>	<u>(2,694)</u>	<u>(3,228)</u>
NET PROFIT (LOSS) ATTRIBUTABLE TO SHAREHOLDERS	<u>(11,190)</u>	<u>32,381</u>	<u>24,580</u>
	As at 31st January,		
	2002	2001	2000
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
ASSETS AND LIABILITIES			
TOTAL ASSETS	1,249,292	1,465,299	1,446,265
TOTAL LIABILITIES	(205,049)	(272,595)	(268,468)
MINORITY INTERESTS	<u>(93,356)</u>	<u>(101,898)</u>	<u>(100,349)</u>
NET ASSETS	<u>950,887</u>	<u>1,090,806</u>	<u>1,077,448</u>

APPENDIX I FINANCIAL INFORMATION REGARDING THE GROUP

- (b) The following is the financial information of the Group extracted from the audited financial statements of the Group for the year ended 31st January, 2002:

Consolidated Income Statement

for the year ended 31st January, 2002

	<i>Notes</i>	2002 <i>HK\$</i>	2001 <i>HK\$</i> (restated)
Turnover	<i>4</i>	75,552,009	75,213,145
Cost of rental operations		<u>(17,733,587)</u>	<u>(18,475,749)</u>
		57,818,422	56,737,396
Other revenue	<i>5</i>	4,937,377	6,443,999
Administrative expenses		(6,218,803)	(5,543,784)
Impairment loss on properties	<i>14</i>	<u>(58,000,000)</u>	<u>–</u>
(Loss) profit from operations	<i>6</i>	(1,463,004)	57,637,611
Finance costs	<i>8</i>	(8,903,465)	(17,463,755)
Share of results of associates		<u>(119,983)</u>	<u>510,309</u>
(Loss) profit before taxation		(10,486,452)	40,684,165
Taxation	<i>9</i>	<u>(5,262,523)</u>	<u>(5,609,019)</u>
(Loss) profit before minority interests		(15,748,975)	35,075,146
Minority interests		<u>4,558,785</u>	<u>(2,694,388)</u>
Net (loss) profit for the year	<i>10</i>	<u><u>(11,190,190)</u></u>	<u><u>32,380,758</u></u>
Dividends	<i>11</i>	<u><u>20,328,000</u></u>	<u><u>22,360,800</u></u>
		<i>HK CENTS</i>	<i>HK CENTS</i>
(Loss) earnings per share	<i>12</i>		
Basic		<u><u>(16.5)</u></u>	<u><u>47.8</u></u>

APPENDIX I FINANCIAL INFORMATION REGARDING THE GROUP

Consolidated Balance Sheet

at 31st January, 2002

	<i>Notes</i>	2002 <i>HK\$</i>	2001 <i>HK\$</i> (restated)
NON-CURRENT ASSETS			
Investment properties	<i>13</i>	1,044,111,075	1,144,387,650
Other properties	<i>14</i>	100,469,043	172,058,127
Other fixed assets	<i>15</i>	1,145,274	689,206
Interests in associates	<i>16</i>	12,979,872	12,212,027
Investments in securities	<i>17</i>	6,722,619	9,128,261
		<u>1,165,427,883</u>	<u>1,338,475,271</u>
CURRENT ASSETS			
Properties for sale		6,348,148	6,348,148
Trade and other receivables	<i>18</i>	4,431,192	6,150,160
Deposits and prepayments		1,743,729	1,558,420
Bank balances and cash		71,341,100	112,767,021
		<u>83,864,169</u>	<u>126,823,749</u>
CURRENT LIABILITIES			
Trade and other payables	<i>19</i>	34,616,149	70,705,774
Deposits and accrued expenses		14,845,063	16,277,019
Obligations under finance leases	<i>23</i>	95,060	95,060
Taxation		15,001,209	15,705,427
Bank loans due within one year, secured	<i>22</i>	33,341,169	29,431,143
Bank overdrafts, secured		9,448	14,871,212
		<u>97,908,098</u>	<u>147,085,635</u>
NET CURRENT LIABILITIES		<u>(14,043,929)</u>	<u>(20,261,886)</u>
		<u><u>1,151,383,954</u></u>	<u><u>1,318,213,385</u></u>

APPENDIX I FINANCIAL INFORMATION REGARDING THE GROUP

	<i>Notes</i>	2002 <i>HK\$</i>	2001 <i>HK\$</i> (restated)
CAPITAL AND RESERVES			
Share capital	20	67,760,000	67,760,000
Reserves	21	<u>883,127,221</u>	<u>1,023,045,868</u>
Shareholders' funds		<u>950,887,221</u>	<u>1,090,805,868</u>
MINORITY INTERESTS		<u>93,355,367</u>	<u>101,898,231</u>
NON-CURRENT LIABILITIES			
Bank loans due after one year, secured	22	104,421,125	122,718,332
Obligations under finance leases	23	158,433	253,493
Deferred taxation	24	1,767,499	1,599,240
Other deferred items	25	<u>794,309</u>	<u>938,221</u>
		<u>107,141,366</u>	<u>125,509,286</u>
		<u><u>1,151,383,954</u></u>	<u><u>1,318,213,385</u></u>

APPENDIX I FINANCIAL INFORMATION REGARDING THE GROUP

Consolidated Statement of Recognised Gains and Losses
for the year ended 31st January, 2002

	2002	2001
	<i>HK\$</i>	<i>HK\$</i>
		(restated)
Net decrease on revaluation of investment properties, adjusted for minority interests	(95,245,125)	(4,356,978)
Reversal of increase on revaluation of other properties	(11,845,974)	–
(Decrease) increase on revaluation of investments in securities held by		
– Subsidiaries, adjusted for minority interests	(2,405,298)	2,139,458
– Associates	537,649	2,167,379
	<hr/>	<hr/>
Net losses not recognised in the income statement	(108,958,748)	(50,141)
Net (loss) profit for the year	(11,190,190)	32,380,758
	<hr/>	<hr/>
Total recognised (losses) gains	<u>(120,148,938)</u>	<u>32,330,617</u>

HK\$

Prior year adjustments arising from changes in accounting policies (see note 2):

Increase (decrease) in reserves at 1st February, 2000	
– Retained profits	(751,582)
– Dividend reserve	13,552,000
– Other reserves	(13,939,025)
	<hr/>
	<u>(1,138,607)</u>

APPENDIX I FINANCIAL INFORMATION REGARDING THE GROUP

Consolidated Cash Flow Statement for the year ended 31st January, 2002

	<i>Notes</i>	2002 <i>HK\$</i>	2001 <i>HK\$</i>
NET CASH INFLOW FROM OPERATING ACTIVITIES	26	11,710,013	48,938,625
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		2,567,962	5,437,963
Interest paid		(8,416,393)	(14,509,337)
Dividends received		258,162	217,009
Dividends paid		(11,258,336)	(8,075,276)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(16,848,605)	(16,929,641)
TAXATION			
Hong Kong Profits Tax paid		(6,584,377)	(3,065,019)
Hong Kong Profits Tax refunded		785,895	2,241,628
NET CASH OUTFLOW FOR TAXATION		(5,798,482)	(823,391)
INVESTING ACTIVITIES			
Purchase of other fixed assets		(794,663)	(79,844)
Interests in associates		(350,179)	(264,039)
CASH OUTFLOW FROM INVESTING ACTIVITIES		(1,144,842)	(343,883)
NET CASH (OUTFLOW) INFLOW BEFORE FINANCING		(12,081,916)	30,841,710
FINANCING	27		
New bank loans raised		4,291,702	–
Repayment of bank loans		(18,678,883)	(9,613,242)
Payment of obligations under finance leases		(95,060)	(79,217)
NET CASH OUTFLOW FROM FINANCING		(14,482,241)	(9,692,459)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(26,564,157)	21,149,251
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		97,895,809	76,746,558
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		71,331,652	97,895,809
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		71,341,100	112,767,021
Bank overdrafts		(9,448)	(14,871,212)
		71,331,652	97,895,809

Notes to the financial statements:**1. GENERAL**

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

The principal activities of the Group are investment holding, property investment and development, and provision of property agency services.

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice (“SSAP(s)”) issued by the Hong Kong Society of Accountants (“HKSA”). Adoption of these Standards has led to a number of changes in the Group’s accounting policies. The revised accounting policies are set out in note 3. In addition, the new and revised Standards have introduced additional and revised disclosure requirements which have been adopted in these financial statements. Comparative amounts for the prior year have been restated in order to achieve a consistent presentation.

The adoption of these new and revised Standards has resulted in the following changes to the Group’s accounting policies that have affected the amounts reported for the current or prior years.

Dividends proposed or declared after the balance sheet date

In accordance with SSAP 9 (Revised) “Events after the balance sheet date”, dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed as a separate component of equity in the notes to the financial statements. This change in accounting policy has been applied retrospectively by the Group, resulting in prior year adjustments (see note 21) to derecognise the liability for final dividend proposed.

Leases

In prior years, leasehold land in Guam, U.S.A. included in other properties held by the Group and an associate was carried in the balance sheet date at revalued amounts.

SSAP 14 (Revised) “Leases” has clarified that such leases should be classified as operating leases and carried at cost, representing pre-paid lease payments, less amount amortised. Adjustments have been made retrospectively to conform with SSAP 14 (Revised). The effect of the adoption of this revised standard is to decrease the carrying value of the Group’s other properties, interests in associates, reserves and minority interests at 1st February, 2000 by HK\$4,026,750, HK\$13,696,800, HK\$14,690,607 and HK\$3,032,943 respectively, and to increase its loss for the year ended 31st January, 2002 by HK\$24,245 and decrease its profit for the year ended 31st January, 2001 by HK\$24,245, which have been dealt with by way of prior year adjustments.

Goodwill

In the current year, the Group has adopted SSAP 30 “Business combinations” and has elected not to restate goodwill (negative goodwill) previously eliminated against (credited to) reserves. Accordingly, goodwill arising on acquisitions prior to 1st February, 2001 is held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary or associate, or at such time as the goodwill is determined to be impaired. Negative goodwill arising on acquisitions prior to 1st February, 2001 will be credited to income statement at the time of disposal of the relevant subsidiary or associate. In the current year, goodwill (negative goodwill) is disclosed separately to conform with the presentation requirement of Interpretation 13 “Goodwill - continuing requirements for goodwill and negative goodwill previously eliminated against/credited to reserves” issued by the HKSA.

Goodwill arising on acquisitions on or after 1st February, 2001 is capitalised and amortised over its estimated useful life. Negative goodwill arising on acquisitions on or after 1st February, 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

Impairment

SSAP 31 “Impairment of assets” has introduced a formal framework for the recognition of impairment losses in respect of the Group’s assets other than investment properties. Although in prior years the Group complied with the requirements of specific Accounting Standards in respect of impairment losses, the introduction of SSAP 31 has required a re-estimation of the recoverable amount of certain assets, resulting in the identification of additional impairment losses at 31st January, 2002 (see note 14). These additional impairment losses have been recognised in full in the current year.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

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

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

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

Goodwill/negative goodwill

Goodwill/negative goodwill arising on consolidation represents the excess/shortfall of the cost of acquisition over the Group’s interest in the fair value of the identifiable assets and liabilities of a subsidiary or an associate at the date of acquisition.

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

Goodwill arising on acquisitions on or after 1st February, 2001 is capitalised and amortised over its estimated useful 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. On disposal of a subsidiary or an associate, the attributable amount of unamortised goodwill is included in the determination of the profit or loss on disposal.

Negative goodwill arising on acquisitions on or after 1st February, 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted. To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the year in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised in income immediately.

Negative goodwill arising on the acquisition of an associate is deducted from the carrying value of that associate. Negative goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a deduction from assets.

Interests in associates

The consolidated income statement includes the Group’s share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group’s share of the net assets of the associates, less any identified impairment loss.

APPENDIX I FINANCIAL INFORMATION REGARDING THE GROUP

When the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

Investments in securities

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

Investments not held for trading purposes are measured at subsequent reporting dates at fair value, with unrealised gains and losses dealt with in reserves until the investments are disposed of or are determined to be impaired, at which time the cumulative gains or losses are included in net profit or loss for the period.

Investment properties

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

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

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

Certain investment properties in Guam, U.S.A., which, in the opinion of the directors, are insignificant to the Group in terms of both market value and profit contribution, are carried at 1983 professional valuation less subsequent depreciation. Leasehold land and building structure are depreciated on a straight line basis over the unexpired term of the lease.

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

Other properties

Freehold land in Guam, U.S.A., which is held for its long term purpose, is stated at cost or valuation less any identified impairment loss. Cost includes the cost of purchase and other attributable expenses.

Leasehold land in Guam, U.S.A. is carried at cost, representing pre-paid lease payments, less amortisation. The cost of leasehold land is amortised over the term of the land lease on a straight line basis.

Advantage has been taken of the transitional relief provided by paragraph 80 of SSAP 17 "Property, plant and equipment" issued by the HKSA from the requirement to make regular revaluations of the Group's land and buildings in Guam, other than certain investment properties, which had been carried at revalued amounts prior to 30th September, 1995.

Properties held for development are stated at cost less any identified impairment loss. Cost comprises the cost of land and, where appropriate, borrowing costs and other attributable expenses.

Other fixed assets

Other fixed assets are stated at cost less accumulated depreciation and any identified impairment loss. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use.

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

APPENDIX I FINANCIAL INFORMATION REGARDING THE GROUP

Depreciation is provided to write off the cost of other fixed assets over their anticipated useful lives on the reducing balance basis at the following annual rates:

Furniture and fixtures	10% - 20%
Office equipment and motor vehicles	25%

Properties for sale

Properties for sale are stated at the lower of cost and net realisable value. Cost includes the cost of land, development expenditure incurred and, where appropriate, financial expenses capitalised. Net realisable value is determined by management based on prevailing market conditions.

Retirement benefit scheme

Contributions payable in respect of the Group's retirement benefit schemes are charged to the income statement.

Foreign currencies

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

On consolidation, the financial statements of subsidiaries and associates established outside Hong Kong, which are denominated in currencies other than Hong Kong dollars, are translated at the rates of exchange ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with in the exchange equalisation reserve.

Capitalisation of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

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

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

Leased assets

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

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

Impairment

The Group reviews at each balance sheet date the carrying amounts of its 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 loss is recognised as an expense immediately, unless the relevant asset is carried at revalued amount under another Standard, in which case the impairment loss is treated as a revaluation decrease under that Standard.

APPENDIX I FINANCIAL INFORMATION REGARDING THE GROUP

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such 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, unless the relevant asset is carried at a revalued amount under another Standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that Standard.

Revenue recognition

Lease of properties

Rental income from properties leased out under operating leases is accounted for on a straight line basis over the terms of the relevant lease.

Sale of properties

Revenue from sale of properties in Hong Kong is recognised when the sale and purchase agreement becomes unconditional and it is probable that the economic benefits associated with the sale will flow to the Group.

Revenue from sale of properties in Guam under instalment sale contracts is accounted for on the deposit method whereby the revenue from such sale is deferred and not recognised until settlement of the sale proceeds by the purchaser in full or upon transfer of the title of the property to the purchaser on receipt of a substantial amount of deposit by the Group.

Investments

Dividend from listed investments is recognised when the Group's rights to receive payment have been established.

Interest income

Interest income from bank deposits and loans receivable is recognised on a time proportion basis that takes into account the effective yield on the deposits and loans.

4. TURNOVER AND SEGMENT INFORMATION

The Group's turnover comprises rental from lease of properties and proceeds from sale of properties and is analysed as follows:

	2002 HK\$	2001 HK\$
Lease of properties	75,422,217	75,079,021
Sale of properties	129,792	134,124
	<u>75,552,009</u>	<u>75,213,145</u>

Business segments

The businesses based upon which the Group reports its primary segment information are as follows:

- Property letting – lease of properties in Hong Kong and Guam, U.S.A.
- Land investment – Investment in land for long term purposes

APPENDIX I FINANCIAL INFORMATION REGARDING THE GROUP

Revenue and Results

For the year ended 31st January, 2002

	Property letting HK\$	Land investment HK\$	Other operations HK\$	Consolidated HK\$
Segment revenue	72,133,284	–	3,418,725	75,552,009
Segment results	55,092,663	(58,000,000)	2,983,921	76,584
Interest and other income				4,679,215
Unallocated corporate expenses				(6,218,803)
Loss from operations				(1,463,004)
Finance costs				(8,903,465)
Share of results of associates	–	(275,653)	155,670	(119,983)
Loss before taxation				(10,486,452)
Taxation				(5,262,523)
Loss before minority interests				(15,748,975)
Minority interests				4,558,785
Net loss for the year				(11,190,190)

Assets and Liabilities

At 31st January, 2002

	Property letting HK\$	Land investment HK\$	Other operations HK\$	Consolidated HK\$
ASSETS				
Segment assets	1,048,542,267	100,469,043	13,070,767	1,162,082,077
Interests in associates	–	2,525,332	10,454,540	12,979,872
Other assets				74,230,103
				1,249,292,052
LIABILITIES				
Segment liabilities	19,332,857	180,362	–	19,513,219
Other liabilities				184,741,936
Other deferred items	–	–	794,309	794,309
				205,049,464

APPENDIX I FINANCIAL INFORMATION REGARDING THE GROUP

Revenue and Results

For the year ended 31st January, 2001

	Property letting HK\$	Land investment HK\$	Other operations HK\$	Consolidated HK\$
Segment revenue	71,738,658	–	3,474,487	75,213,145
Segment results	53,959,117	–	2,995,288	56,954,405
Interest and other income				6,226,990
Unallocated corporate expenses				(5,543,784)
Profit from operations				57,637,611
Finance costs				(17,463,755)
Share of results of associates	–	(263,919)	774,228	510,309
Profit before taxation				40,684,165
Taxation				(5,609,019)
Profit before minority interests				35,075,146
Minority interests				(2,694,388)
Net profit for the year				32,380,758

Assets and Liabilities

At 31st January, 2001

	Property letting HK\$	Land investment HK\$	Other operations HK\$	Consolidated HK\$
ASSETS				
Segment assets	1,150,537,810	172,058,127	15,476,409	1,338,072,346
Interests in associates	–	2,450,805	9,761,222	12,212,027
Other assets				115,014,647
				1,465,299,020
LIABILITIES				
Segment liabilities	22,966,469	146,999	–	23,113,468
Other liabilities				248,543,232
Other deferred items	–	–	938,221	938,221
				272,594,921

APPENDIX I FINANCIAL INFORMATION REGARDING THE GROUP

Depreciation and amortisation in respect of the year charged to the business segments of property letting and land investment amounted to HK\$16,575 (2001: HK\$16,575) and HK\$29,250 (2001: HK\$29,250) respectively. The Group's additions to other fixed assets amounted to HK\$721,663 (2001: Nil) are attributable to the property letting segment. In arriving at segment results, no significant non-cash expenses were charged.

Geographical segments

The following table provides an analysis of the Group's turnover and contribution to operations by geographical market:

	Turnover		Contribution to (loss) profit from operations	
	2002	2001	2002	2001
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Hong Kong	69,840,599	69,670,032	54,825,566	53,585,134
Guam, U.S.A.	5,711,410	5,543,113	(54,748,982)	3,369,271
	<u>75,552,009</u>	<u>75,213,145</u>	76,584	56,954,405
Interest and other income			4,679,215	6,226,990
Unallocated corporate expenses			(6,218,803)	(5,543,784)
(Loss) profit from operations			<u>(1,463,004)</u>	<u>57,637,611</u>

An analysis of the Group's assets by geographical segments is shown below:

	Carrying amounts of segment assets	
	2002	2001
	<i>HK\$</i>	<i>HK\$</i>
Hong Kong	1,169,463,440	1,300,415,757
Guam, U.S.A.	79,828,612	164,883,263
	<u>1,249,292,052</u>	<u>1,465,299,020</u>

The Group's additions to assets that are expected to be used during more than one year are located in Hong Kong.

5. OTHER REVENUE

	2002	2001
	<i>HK\$</i>	<i>HK\$</i>
Included in other revenue are:		
Interest on bank deposits	2,517,343	5,377,144
Other interest income	50,619	60,819
Dividends from listed investments	<u>258,162</u>	<u>217,009</u>

APPENDIX I FINANCIAL INFORMATION REGARDING THE GROUP

6. (LOSS) PROFIT FROM OPERATIONS

	2002	2001
	<i>HK\$</i>	<i>HK\$</i>
(Loss) profit from operations has been arrived at after charging (crediting):		
Auditors' remuneration	601,336	478,994
Depreciation and amortisation in respect of:		
Investment properties	16,575	16,574
Other properties	29,250	29,250
Other fixed assets		
Owned assets	185,038	97,204
Assets under finance lease	110,530	96,181
Staff costs including directors' remuneration (Note)	5,026,007	5,058,203
Gross rental from properties, less outgoings of HK\$17,663,524 (2001: HK\$18,168,056)	<u>(57,758,693)</u>	<u>(56,910,965)</u>

Note: Included in staff costs are contributions to retirement benefit scheme of HK\$133,552 (2001: HK\$163,981) which have been arrived at after deducting forfeited contributions of HK\$19,708 (2001: HK\$37,711).

7. EMOLUMENTS OF DIRECTORS AND SENIOR EMPLOYEES

(a) Directors' emoluments

	2002	2001
	<i>HK\$</i>	<i>HK\$</i>
Directors' fees:		
Executive directors	40,000	40,000
Independent non-executive directors	30,000	20,000
Other emoluments to executive directors:		
Salaries and other benefits	735,825	474,620
Contributions to retirement benefit scheme	34,504	22,716
	<u>840,329</u>	<u>557,336</u>

(b) Employees' emoluments

The five highest paid individuals of the Group included one (2001: two) directors of the Company whose emoluments are included in the disclosure above. The emoluments of the remaining four (2001: three) individuals are as follows:

	2002	2001
	<i>HK\$</i>	<i>HK\$</i>
Salaries and other benefits	1,107,137	828,332
Contributions to retirement benefit scheme	36,873	24,216
	<u>1,144,010</u>	<u>852,548</u>

The aggregate emoluments of each of the aforementioned employees are individually below HK\$1,000,000 for both years presented. Included in employees' emoluments are remunerations paid to the former Chairman of the Company amounted to HK\$298,320 (2001: HK\$298,320). The Group also paid consultancy fees of HK\$408,122 (2001: HK\$408,122) to the said former Chairman which are not included above.

APPENDIX I FINANCIAL INFORMATION REGARDING THE GROUP

8. FINANCE COSTS

	2002	2001
	<i>HK\$</i>	<i>HK\$</i>
Interests on:		
Bank loans and overdrafts	8,876,305	14,494,842
Finance leases	27,160	22,633
Other liabilities wholly repayable within five years	–	2,946,280
	<u>8,903,465</u>	<u>17,463,755</u>

9. TAXATION

	2002	2001
	<i>HK\$</i>	<i>HK\$</i>
The charge comprises:		
Company and subsidiaries		
Hong Kong Profits Tax	4,890,264	5,206,748
Overseas tax	204,000	142,000
Deferred taxation (note 24)	168,259	154,569
	<u>5,262,523</u>	<u>5,503,317</u>
Associates		
Hong Kong Profits Tax	–	105,702
	<u>5,262,523</u>	<u>5,609,019</u>

Hong Kong Profits Tax is calculated at 16% (2001: 16%) on the estimated assessable profit for the year. Overseas tax is calculated at the rates prevailing in the jurisdictions in which the Group operates.

Details of the potential deferred taxation not recognised are set out in note 24.

10. NET (LOSS) PROFIT FOR THE YEAR

Of the Group's net (loss) profit for the year, a profit of HK\$42,953,930 (2001: HK\$16,813,158) has been dealt with in the financial statements of the Company.

11. DIVIDENDS

	2002	2001
	<i>HK\$</i>	<i>HK\$</i>
Interim dividend paid:		
10 HK cents (2001: 8 HK cents) per ordinary share	6,776,000	5,420,800
Final dividend proposed:		
20 HK cents (2001: 25 HK cents) per ordinary share	13,552,000	16,940,000
	<u>20,328,000</u>	<u>22,360,800</u>

The final dividend for the year has been proposed by the directors and is subject to approval by the shareholders at the forthcoming annual general meeting.

12. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share is based on the net loss for the year of HK\$11,190,190 (2001: net profit of HK\$32,380,758) and on 67,760,000 (2001: 67,760,000) ordinary shares in issue during the year.

APPENDIX I FINANCIAL INFORMATION REGARDING THE GROUP

13. INVESTMENT PROPERTIES

	Land and buildings in Hong Kong <i>HK\$</i>	Land and buildings in Guam, U.S.A. <i>HK\$</i>	Total <i>HK\$</i>
VALUATION			
At 1st February, 2001	1,118,400,000	28,704,000	1,147,104,000
Decrease on revaluation	(87,000,000)	(13,260,000)	(100,260,000)
At 31st January, 2002	<u>1,031,400,000</u>	<u>15,444,000</u>	<u>1,046,844,000</u>
DEPRECIATION			
At 1st February, 2001	–	2,716,350	2,716,350
Provided for the year	–	16,575	16,575
At 31st January, 2002	<u>–</u>	<u>2,732,925</u>	<u>2,732,925</u>
NET BOOK VALUES			
At 31st January, 2002	<u><u>1,031,400,000</u></u>	<u><u>12,711,075</u></u>	<u><u>1,044,111,075</u></u>
At 31st January, 2001	<u><u>1,118,400,000</u></u>	<u><u>25,987,650</u></u>	<u><u>1,144,387,650</u></u>

An analysis of the valuation of the Group's investment properties is set out below:

	2002 <i>HK\$</i>	2001 <i>HK\$</i>
Land and buildings at professional valuation:		
In Hong Kong on		
– long leases	664,000,000	716,400,000
– medium-term leases	<u>367,400,000</u>	<u>402,000,000</u>
	1,031,400,000	1,118,400,000
In Guam, U.S.A.		
on freehold land	<u>11,700,000</u>	<u>24,960,000</u>
	1,043,100,000	1,143,360,000
Other land and buildings in Guam, U.S.A. at 1983 professional valuation on:		
– medium-term lease	2,418,000	2,418,000
– freehold land	<u>1,326,000</u>	<u>1,326,000</u>
	<u><u>1,046,844,000</u></u>	<u><u>1,147,104,000</u></u>

The investment properties of the Group in Hong Kong at 31st January, 2002 are carried at their open market value at that date as valued by DTZ Debenham Tie Leung Limited. The investment properties of the Group in Guam, U.S.A. at 31st January, 2002, with a carrying value of HK\$11,700,000 (2001: HK\$24,960,000) are carried at their open market value at that date as valued by Micronesia Appraisal Associates, Inc.. The valuers are independent firms of property valuers.

Other land and buildings in Guam at 1983 professional valuation which, in the opinion of the directors, are insignificant to the Group in terms of both market value and profit contribution, are carried at 1983 professional valuation less subsequent depreciation.

APPENDIX I FINANCIAL INFORMATION REGARDING THE GROUP

14. OTHER PROPERTIES

	2002	2001
	<i>HK\$</i>	<i>HK\$</i>
Land in Guam, U.S.A.		
Freehold		
At cost	25,884,216	48,804,776
At cost less impairment	20,202,000	–
At professional valuation		
– 1975	–	68,841,274
– 1983	14,981,312	14,981,312
Leasehold land		
At cost less amortisation	1,374,750	1,404,000
	62,442,278	134,031,362
Properties in Hong Kong on medium-term lease held for development, at cost	38,026,765	38,026,765
	100,469,043	172,058,127

SSAP 31 “Impairment of assets” has become effective for the current year which requires recoverable amount of assets be determined based on their market value or value in use. Accordingly, the directors have reviewed the recoverable amounts of the Group’s land in Guam, U.S.A. by reference to the valuation conducted by an independent property valuer subsequent to the balance sheet date. As a result, certain freehold land, which was previously carried at cost or 1975 professional valuation, has been written down in order to conform with SSAP 31. The carrying value of the freehold land so reduced amounted to HK\$71,559,834, of which HK\$58,000,000 has been charged to the income statement and the remaining balance dealt with in reserves or as an adjustment against minority interests. The written down value of such land has been separately shown as freehold land at cost less impairment.

In order to conform with SSAP 14 (Revised), the leasehold land in Guam, U.S.A., representing land held on medium-term lease which was previously carried at 1983 professional valuation of HK\$5,460,000, has been restated at cost less amount amortised. The effect on such change in accounting policy is to reduce the carrying value of the land and reserves at 31st January, 2002 by HK\$4,085,250 and HK\$3,386,162 respectively.

The Group’s land in Guam, U.S.A., is held for long term purpose. If such land had not been revalued, it would have been included at the book value on a historical cost basis less impairment of approximately HK\$61,710,000 (2001: HK\$119,739,000).

15. OTHER FIXED ASSETS

	Furniture, fixtures, office equipment and motor vehicles
	<i>HK\$</i>
COST	
At 1st February, 2001	1,977,462
Additions	794,663
Disposals	(145,994)
At 31st January, 2002	2,626,131
DEPRECIATION	
At 1st February, 2001	1,288,256
Provided for the year	295,568
Eliminated on disposals	(102,967)
At 31st January, 2002	1,480,857
NET BOOK VALUES	
At 31st January, 2002	1,145,274
At 31st January, 2001	689,206

The net book value of the Group’s fixed assets shown above includes an amount of HK\$331,589 (2001: HK\$442,119) in respect of assets held under finance leases.

APPENDIX I FINANCIAL INFORMATION REGARDING THE GROUP

16. INTERESTS IN ASSOCIATES

	2002	2001
	<i>HK\$</i>	<i>HK\$</i>
Unlisted associates:		
Share of attributable net assets	3,747,628	6,949,162
Amount due from an associate	9,232,244	5,262,865
	12,979,872	12,212,027
	12,979,872	12,212,027

Particulars of the associates at 31st January, 2002 are as follows:

Name of company	Place of incorporation and operation	Class of shares held	Proportion of nominal value of issued capital held by the Group %	Principal activities
Modern Aspac Development Company Limited	Hong Kong	Ordinary	50	Investment holding
Guam Tourist Development Company	Guam, U.S.A.	Common stock	50	Property investment

17. INVESTMENTS IN SECURITIES

	2002	2001
	<i>HK\$</i>	<i>HK\$</i>
Not held for trading equity securities:		
Listed in Hong Kong	6,642,618	9,048,260
Unlisted	188,500	188,500
Less: impairment	(188,499)	(188,499)
	6,642,619	9,048,261
Unlisted club debentures	80,000	80,000
	6,722,619	9,128,261
	6,722,619	9,128,261
Market value of listed securities	6,642,618	9,048,260
	6,642,618	9,048,260

APPENDIX I FINANCIAL INFORMATION REGARDING THE GROUP

18. TRADE AND OTHER RECEIVABLES

The Group does not allow any credit period to its trade customers. The following is an aged analysis of trade and other receivables at the reporting date:

	2002	2001
	<i>HK\$</i>	<i>HK\$</i>
0 - 60 days	3,120,987	4,322,567
61 - 90 days	455,210	614,058
Over 90 days	854,995	1,213,535
	<u>4,431,192</u>	<u>6,150,160</u>
	<u>4,431,192</u>	<u>6,150,160</u>

19. TRADE AND OTHER PAYABLES

The following is an analysis of trade and other payables at the reporting date:

	2002	2001
	<i>HK\$</i>	<i>HK\$</i>
Trade payables due between 0 - 60 days	2,891,209	6,124,212
Other payables (Note)	31,724,940	64,581,562
	<u>34,616,149</u>	<u>70,705,774</u>
	<u>34,616,149</u>	<u>70,705,774</u>

Note:

Other payables outstanding at 31st January, 2002 represents unclaimed dividends payable to shareholders (2001: HK\$25,508,567).

Included in other payables at 31st January, 2001 were amounts of HK\$32,712,367 and HK\$5,648,191 due to a minority shareholder of a subsidiary and the Company's former Chairman respectively. The amount due to the minority shareholder of a subsidiary was unsecured and carried interest at Hong Kong prime rate plus one percent. The amount due to the former Chairman was unsecured and interest free. These amounts were fully repaid during the year.

20. SHARE CAPITAL

	2002 & 2001
	<i>HK\$</i>
Authorised:	
100,000,000 ordinary shares of HK\$1 each	<u>100,000,000</u>
Issued and fully paid:	
67,760,000 ordinary shares of HK\$1 each	<u>67,760,000</u>
	<u>67,760,000</u>

At 31st January, 2002, a total of 533,400 (2001: 533,400) issued shares of the Company were owned by an associate.

There was no movement in the share capital of the Company for the two years ended 31st January, 2002.

APPENDIX I
FINANCIAL INFORMATION REGARDING THE GROUP
21. RESERVES

	Investment property revaluation reserve HK\$	Investment securities revaluation reserve HK\$	Negative goodwill HK\$	Exchange equalisation reserve HK\$	Other reserves HK\$	Dividend reserve HK\$	Retained profits HK\$	Total HK\$
THE GROUP								
At 1st February, 2000								
– as originally stated	646,020,612	7,374,284	–	16,900,742	27,342,151	–	313,188,869	1,010,826,658
Prior year adjustments (note 2)								
– derecognition of liability for 2000 final dividend	–	–	–	–	–	13,552,000	–	13,552,000
– adjustment to conform with SSAP 14 (Revised)	–	–	–	–	(13,939,025)	–	(751,582)	(14,690,607)
– reclassifications	–	–	6,114,458	–	(6,114,458)	–	–	–
– as restated	646,020,612	7,374,284	6,114,458	16,900,742	7,288,668	13,552,000	312,437,287	1,009,688,051
2000 final dividend paid	–	–	–	–	–	(13,552,000)	–	(13,552,000)
Net decrease on revaluation of investment properties adjusted for minority interests	(4,356,978)	–	–	–	–	–	–	(4,356,978)
Increase on revaluation of investments in securities held by								
– subsidiaries, adjusted for minority interests	–	2,139,458	–	–	–	–	–	2,139,458
– associates	–	2,167,379	–	–	–	–	–	2,167,379
Net profit for the year	–	–	–	–	–	–	32,380,758	32,380,758
Interim dividend paid	–	–	–	–	–	–	(5,420,800)	(5,420,800)
Amount set aside for 2001 final dividend	–	–	–	–	–	16,940,000	(16,940,000)	–
At 31st January, 2001	641,663,634	11,681,121	6,114,458	16,900,742	7,288,668	16,940,000	322,457,245	1,023,045,868
2001 final dividend paid	–	–	–	–	–	(16,940,000)	–	(16,940,000)
Reclassifications	(14,211,052)	–	–	–	14,211,052	–	–	–
Net decrease on revaluation of investment properties adjusted for minority interests	(95,245,125)	–	–	–	–	–	–	(95,245,125)
(Decrease) increase on revaluation of investments in securities held by								
– subsidiaries, adjusted for minority interests	–	(2,405,298)	–	–	–	–	–	(2,405,298)
– associates	–	537,649	–	–	–	–	–	537,649
Reversal of increase on revaluation of properties adjusted for minority interests (note 14)	–	–	–	–	(11,845,974)	–	–	(11,845,974)
Net loss for the year	–	–	–	–	–	–	(11,190,190)	(11,190,190)
Unclaimed dividends written back	–	–	–	–	–	–	3,946,291	3,946,291
Interim dividend paid	–	–	–	–	–	–	(6,776,000)	(6,776,000)
Amount set aside for 2002 final dividend	–	–	–	–	–	13,552,000	(13,552,000)	–
At 31st January, 2002	532,207,457	9,813,472	6,114,458	16,900,742	9,653,746	13,552,000	294,885,346	883,127,221

APPENDIX I FINANCIAL INFORMATION REGARDING THE GROUP

The negative goodwill is arrived at after deducting goodwill on consolidation amounted to HK\$3,066,187 (2001: HK\$3,066,187).

The Group's retained profits attributable to associates at 31st January, 2002 amounted to HK\$563,450 (2001: HK\$636,262).

22. BANK LOANS

	2002	2001
	<i>HK\$</i>	<i>HK\$</i>
Secured bank loans repayable:		
– Within one year	33,341,169	29,431,143
– More than one year, but not exceeding two years	34,768,265	30,948,450
– More than two years, but not exceeding five years	64,789,897	83,954,323
– More than five years	4,862,963	7,815,559
	137,762,294	152,149,475
Less: Amount due within one year shown under current liabilities	(33,341,169)	(29,431,143)
Amount due after one year	104,421,125	122,718,332

23. OBLIGATIONS UNDER FINANCE LEASES

	2002	2001
	<i>HK\$</i>	<i>HK\$</i>
Obligations under finance leases maturing:		
Within one year	95,060	95,060
More than one year, but not exceeding two years	158,433	95,060
More than two years, but not exceeding five years	–	158,433
	253,493	348,553
Less: Amount due within one year shown under current liabilities	(95,060)	(95,060)
Amount due after one year	158,433	253,493

24. DEFERRED TAXATION

	2002	2001
	<i>HK\$</i>	<i>HK\$</i>
Deferred taxation attributable to excess of tax allowances over depreciation:		
Balance at beginning of the year	1,599,240	1,444,671
Charge for the year (note 9)	168,259	154,569
Balance at end of the year	1,767,499	1,599,240

APPENDIX I FINANCIAL INFORMATION REGARDING THE GROUP

At the balance sheet date, the major components of unprovided deferred tax asset (liability) were as follows:

	2002	2001
	<i>HK\$</i>	<i>HK\$</i>
Tax effect of timing differences because of:		
Excess of tax allowances over depreciation	(2,240,281)	(2,201,601)
Tax losses	3,798,555	5,385,324
Other timing differences	19,720,000	–
	<u>21,278,274</u>	<u>3,183,723</u>
	<u>21,278,274</u>	<u>3,183,723</u>

The amount of unprovided deferred tax (charge) credit of the Group for the year is as follows:

	2002	2001
	<i>HK\$</i>	<i>HK\$</i>
Tax effect of timing differences because of:		
Differences between tax allowances and depreciation	(38,680)	975,762
Tax losses (utilised) arising	(1,586,769)	349,934
Other timing differences	19,720,000	–
	<u>18,094,551</u>	<u>1,325,696</u>
	<u>18,094,551</u>	<u>1,325,696</u>

The other timing differences arising during the year represent deferred tax asset attributable to the impairment loss on land in Guam, U.S.A.

A deferred tax asset has not been recognised in the financial statements as it is not certain that the tax assets will crystallise in the foreseeable future.

Deferred tax has not been provided on the increase arising on revaluation of the Group's assets in Hong Kong held for long term investment purposes as profits arising on the disposal of these assets would not be subject to taxation. Accordingly, the revaluation increases do not constitute a timing difference for tax purposes.

Deferred tax has not been provided on the increase arising on revaluation of the Group's overseas properties as they are held for long term investment purposes, accordingly the attributable deferred taxation is not expected to be crystallisable in the foreseeable future.

25. OTHER DEFERRED ITEMS

	2002	2001
	<i>HK\$</i>	<i>HK\$</i>
Income on sale of properties:		
Deposits and interests received	1,396,870	1,610,846
Less: Cost of properties sold under instalment contracts	(285,934)	(356,000)
Attributable income tax	(316,627)	(316,625)
	<u>794,309</u>	<u>938,221</u>
	<u>794,309</u>	<u>938,221</u>

Certain of the Group's properties in Guam, U.S.A. have been sold for an aggregate consideration of approximately HK\$1.1 million (2001: HK\$1.1 million) under instalment sales contracts which require a minimum of 10% down payment with interest chargeable on the outstanding balance at 10% per annum. Under the terms of the contract, title to the properties sold does not pass to the buyer until the purchase price has been fully settled or when the buyer requests transfer of title upon payment of 50% or more of the purchase price.

APPENDIX I FINANCIAL INFORMATION REGARDING THE GROUP

26. RECONCILIATION OF (LOSS) PROFIT BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2002	2001
	<i>HK\$</i>	<i>HK\$</i>
(Loss) profit before taxation	(10,486,452)	40,684,165
Impairment loss on properties	58,000,000	–
Share of results of associates	119,983	(510,309)
Depreciation and amortisation	341,393	239,209
Interest expenses	8,903,465	17,463,755
Interest income	(2,567,962)	(5,437,963)
Dividend income	(258,162)	(217,009)
Loss on disposal of other fixed assets	43,027	–
Movements in assets/liabilities held for operating activities:		
Decrease in trade and other receivables	1,718,968	1,162,402
Increase in deposits and prepayments	(185,309)	(186,557)
Decrease in trade and other payables	(42,343,070)	(7,240,580)
(Decrease) increase in deposits and accrued expenses	(1,431,956)	2,962,866
(Decrease) increase in other deferred items	(143,912)	18,646
	11,710,013	48,938,625

27. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Bank loans	Obligations under finance leases
	<i>HK\$</i>	<i>HK\$</i>
Balance at 1st February, 2000	161,762,717	–
Inception of finance leases	–	427,770
Cash outflow from financing	(9,613,242)	(79,217)
	152,149,475	348,553
Balance at 31st January, 2001	152,149,475	348,553
Cash outflow from financing	(14,387,181)	(95,060)
	137,762,294	253,493

28. OPERATING LEASE COMMITMENTS

The Group as lessor

At the balance sheet date, investment properties, other properties and properties for sale with a carrying value of approximately HK\$764 million (2001: HK\$922 million), HK\$38 million (2001: HK\$39 million) and HK\$5.3 million (2001: HK\$5.3 million) respectively were let out under operating leases. Property rental income earned during the year is HK\$75.4 million (2001: HK\$75.1 million) of which HK\$71.6 million (2001: HK\$71.3 million) was derived from the letting of investment properties. A substantial portion of the Group's properties leased out comprised of investment properties with committed tenants for one to three years without termination options.

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

	2002	2001
	<i>HK\$</i>	<i>HK\$</i>
Within one year	37,637,000	48,742,000
In the second to fifth years inclusive	14,768,000	43,402,000
After five years	6,123,000	6,374,000
	58,528,000	98,518,000

29. PLEDGE OF ASSETS

At the balance sheet date, properties of the Group with an aggregate book value of approximately HK\$823 million (2001: HK\$903 million) were mortgaged or charged to banks for credit facilities granted to the Group.

30. POST BALANCE SHEET EVENT

In the public announcements of the Company dated 18th April, 2002, the Company proposed a rights issue of not less than 13,555,276 new shares of HK\$1 each, representing approximately 20% of the existing issued shares of the Company, at a subscription price of HK\$8 per share to shareholders, other than those shareholders owning a total of 89.16% interest in the issued capital of the Company.

3. INDEBTEDNESS

At the close of business on 30th April, 2002, being the latest practicable date, the Group has outstanding secured bank loans and overdrafts totalling approximately HK\$133,342,000, which were secured by certain properties of the Group, and obligations under finance leases of approximately HK\$230,000.

Save as disclosed herein and apart from intra-group liabilities, as at the close of business on 30th April, 2002, the Group did not have any outstanding loan capital, bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures, mortgages, charges or loans or acceptance credits or hire purchase commitments, guarantees or other material contingent liabilities.

The Directors have confirmed that there has not been any material change in the liabilities or contingent liabilities of the Group since 30th April, 2002.

APPENDIX I FINANCIAL INFORMATION REGARDING THE GROUP

4. PRO-FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS OF THE GROUP

The following pro-forma statement of adjusted net tangible assets of the Group is prepared based on the net assets of the Group as at 31st January, 2002 as shown in the audited financial statements of the Group and adjusted as follows:

	\$'000
Audited consolidated net assets of the Group as at 31st January, 2002	950,887
Estimated net proceeds to be derived from the Open Offer (<i>Note 1</i>)	<u>118,875</u>
Pro-forma adjusted net tangible assets of the Group immediately upon completion of the Open Offer	<u><u>1,069,762</u></u>
	\$
Audited net tangible asset value per Share as at 31st January, 2002 (based on 67,760,000 Shares in issue immediately before the Open Offer)	<u><u>14.03</u></u>
Pro-forma adjusted net tangible asset value per Share immediately upon completion of the Open Offer (based on 82,806,920 Shares in issue immediately upon completion of the Open Offer assuming full subscription)	<u><u>12.92</u></u>

Notes:

1. The estimated net proceeds of the issue of the new Shares of 15,046,920 Shares under the Open Offer are based on the Subscription Price of HK\$8 per Share after deducting issue expenses of around HK\$1,500,000.
2. Land in Guam, U.S.A. held by the Group and its associate for investment, properties in Hong Kong held by the Group for development and for sale are carried at 31st January, 2002 at cost or valuation less amortisation and impairment loss recognised. Based on the latest valuations conducted for the land in Guam and for the Hong Kong properties as disclosed in Appendix II, the surplus attributable to the Group arising on revaluation, after adjusting for attributable taxation, of the land in Guam, the properties for development and properties for sale amounted to HK\$44,745,000, HK\$32,738,000 and HK\$58,707,000 respectively which have not been accounted for in arriving at the pro-forma adjusted net tangible assets of the Group shown above.

5. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the Group's internal resources and available banking facilities, barring any unforeseen circumstances, the Group has sufficient working capital for its present requirements.

6. MATERIAL CHANGES

The Directors are not aware of any material change in the financial or trading position or prospects of the Group since 31st January, 2002, being the date to which the latest audited consolidated financial statements of the Group were made up.

(A) INVESTMENT PROPERTIES

(i) Land and buildings in Hong Kong

Location	Type of use	Approx. gross floor area <i>sq.m.</i>	Term of lease	Group's interests %	Valuation <i>HK\$</i>	Valuation date	Carrying Value at 31st January, 2002 <i>HK\$</i>	Historical valuation <i>HK\$</i>	Historical valuation date
Nos. 2 & 3 on G/F, Nos. 1-5 on 1/F, Haiphong Mansion, 99-101 Nathan Road, Kowloon (Section A of Kowloon Inland Lot No. 6520)	Commercial	735	Medium-term	83	185,000,000	31/1/2002	185,000,000	200,000,000	31/1/2001
G/F & Flats 1-7 on 9/F, James S. Lee Mansion, 33-35A Carnarvon Road, Kowloon (Kowloon Inland Lot Nos. 7286 and 7297)	Commercial	918	Medium-term	87	125,000,000	31/1/2002	125,000,000	137,000,000	31/1/2001
G/F of No. 566 Nathan Road & whole 1/F and exterior part, Kiu Kin Mansion, 566-568 Nathan Road, Kowloon (Remaining Portions of Kowloon Inland Lot Nos. 2361 & 1462)	Commercial	551	Long	87	44,000,000	31/1/2002	44,000,000	44,400,000	31/1/2001
World Interest Building, 8 Tsun Yip Lane, Kwun Tong, Kowloon (Kwun Tong Inland Lot No. 18)	Industrial	7,879	Medium-term	87	27,000,000	31/1/2002	27,000,000	33,000,000	31/1/2001
Oxford Commercial Building, 494-496 Nathan Road, Kowloon (Kowloon Inland Lot No. 9669)	Commercial	3,857	Long	100	65,000,000	31/1/2002	65,000,000	72,000,000	31/1/2001

APPENDIX II
SCHEDULE OF PROPERTIES

Location	Type of use	Approx. gross floor area <i>sq.m.</i>	Term of lease	Group's interests %	Valuation <i>HKS</i>	Valuation date	Carrying Value at 31st January, 2002 <i>HKS</i>	Historical valuation <i>HKS</i>	Historical valuation date
Flat A on 15/F, Golden Crown Court, 66-70 Nathan Road, Kowloon (Remaining Portions of Kowloon Inland Lot Nos. 6824 & 6726)	Residential	110	Medium-term	100	2,700,000	31/1/2002	2,700,000	2,900,000	31/1/2001
G/F, Fat Lee Industrial Building, 17 Hung To Road, Kwun Tong, Kowloon (Kwun Tong Inland Lot No. 640)	Industrial	918	Medium-term	100	6,700,000	31/1/2002	6,700,000	7,300,000	31/1/2001
Jubilee Centre, (Phase I) 18 Fenwick Street, Wanchai, Hong Kong (Remaining Portion of Inland Lot No. 2820)	Commercial	6,145	Long	100	205,000,000	31/1/2002	205,000,000	222,000,000	31/1/2001
8 Fei Ha Road, Clearwater Bay, Sai Kung, New Territories (Lot No. 1933 in Survey District No. 2)	Residential	595 <i>(Note 1)</i>	Medium-term	87	21,000,000	31/1/2002	21,000,000	21,800,000	31/1/2001
Jubilee Centre (Phase II) 44 Gloucester Road, Wanchai, Hong Kong (Section C of Inland Lot No. 2820)	Commercial	8,504	Long	100	350,000,000	31/1/2002	350,000,000	378,000,000	31/1/2001
Total carrying value of the land and buildings in Hong Kong								1,031,400,000	

(ii) Land and buildings in Guam, U.S.A.

Location	Type of use	Approx. gross floor area sq.m.	Term of lease	Group's interests %	Valuation US\$	Valuation date	Carrying Value at 31st January, 2002 HK\$	Historical valuation US\$	Historical valuation date
Lot No. 5163, Dededo Guam Estate No. 4064, Suburban	Industrial/ Commercial/ Dormitory	5,500	Freehold	100	1,500,000	31/1/02	11,700,000	3,200,000	31/1/01

(iii) Other land and buildings in Guam, U.S.A.

Location	Type of use	Approx. gross floor area sq.m.	Term of lease	Group's interests %	Valuation US\$	Valuation date	Carrying Value at 31st January, 2002 HK\$	Historical valuation US\$	Historical valuation date
Lot No. 2025-1-1-10, Dededo	Commercial	870	Medium-term	83	100,000 (Note 2)	30/4/02	-	310,000	3/11/83
Alupang Cove Unit 823	Residential	75	Freehold	83	95,000 (Note 2)	16/4/02	416,325	70,000	3/11/83
Lot No. 5366-1-2, Mangilao Fourplex Concrete Apartment	Residential	266	Freehold	83	150,000 (Note 2)	3/4/02	594,750	100,000	3/11/83
Total carrying value of other land and buildings in Guam, U.S.A.								1,011,075	
Total carrying value of land and buildings in Guam, U.S.A.								12,711,075	

(B) OTHER PROPERTIES**(i) Land in Guam, U.S.A. for investment**

Location	Type of use	Approx. site area sq.m.	Term of lease	Group's interests %	Valuation US\$	Valuation date	Carrying Value at 31st January, 2002 HK\$	Historical valuation US\$	Historical valuation date
Lot No. 5129-2, Tumon, Dededo, Guam Estate No. 17036, Suburban	Commercial	826	Freehold	100	60,000	23/4/02	85,855	11,007 (Note 3)	N/A
Lot No. 95-1-1, Yona, Guam Estate No. 21922, Suburban	Residential	200,199	Freehold	100	310,000	25/4/02	422,995	54,230 (Note 3)	N/A

APPENDIX II
SCHEDULE OF PROPERTIES

Location	Type of use	Approx. site area <i>sq.m.</i>	Term of lease	Group's interests %	Valuation <i>US\$</i>	Valuation date	Carrying	Historical valuation <i>US\$</i>	Historical valuation date
							Value at 31st January, 2002 <i>HK\$</i>		
Lot No. 5163, Dededo, Guam Estate No. 4064, Suburban	Industrial	60,604	Freehold	100	1,800,000 <i>(Note 2)</i>	31/1/02	-	2,400,000 <i>(Note 2)</i>	31/1/01
Lot No. 250, Piti	Industrial	78,000	Freehold	100	70,000	24/4/02	295,014	37,822 <i>(Note 3)</i>	N/A
Lot No. 2013 Rem Apoguen, Dededo, Guam Estate No. 397, Suburban	Commercial	895	Freehold	100	20,000	23/4/02	18,650	2,391 <i>(Note 3)</i>	N/A
Lot No. 2112A-8, Tamuning, Dededo, Guam Estate No. 7001, Suburban	Residential	698	Freehold	100	57,000	19/4/02	34,080	4,369 <i>(Note 3)</i>	N/A
Lot No. 2029-New-R2, Dededo, Guam Estate No. 20069, Suburban	Commercial	904	Freehold	100	10,000	23/4/02	78,000	15,763 <i>(Note 3)</i>	N/A
Lot No. 2144-1B-5, Socio, Dededo, Guam Estate No. 22636, Suburban	Industrial/ Residential	37,258	Freehold	100	1,300,000	23/4/02	10,140,000	1,414,430 <i>(Note 3)</i>	N/A
Lot No. 2144-1A-2, Socio, Dededo, Guam Estate, Suburban	Industrial/ Residential	35,329	Freehold	100	1,360,000	23/4/02	10,461,355	1,341,199 <i>(Note 3)</i>	N/A
Lot B Dandan, Inarajan, Guam Estate No. 16, Suburban	Residential	12,066,680	Freehold	44	2,560,000 <i>(Note 5)</i>	25/4/02	9,984,000	10,201,614 <i>(Note 4)</i>	1975
Lot No. 5148-4, Tamuning, Dededo, Guam Estate No. 17172, Suburban	Commercial	40,469	Freehold	100	4,500,000	23/4/02	15,600,000	2,000,000 <i>(Note 3)</i>	N/A
Lot No. 3368-R1, Sinajana	Residential	20,000	Freehold	77	80,000	20/4/02	624,000	100,000	3/11/83
Lot No. 450-1, Agat	Residential	177,510	Freehold	77	420,000	26/4/02	3,276,000	532,530	3/11/83
Lot No. 7079-1, Yigo	Residential	60,000	Freehold	83	740,000 <i>(Note 6)</i>	27/4/02	1,404,000	180,000	3/11/83

APPENDIX II
SCHEDULE OF PROPERTIES

Location	Type of use	Approx. site area <i>sq.m.</i>	Term of lease	Group's interests %	Valuation <i>US\$</i>	Valuation date	Carrying	Historical valuation <i>US\$</i>	Historical valuation date	
							Value at 31st January, 2002 <i>HK\$</i>			
Lot No. 5238-R4, Dededo	Residential	10,727	Freehold	83	120,000	22/4/02	587,824	75,362	3/11/83	
Lot No. 7044-R1, Yigo	Residential	77,584	Freehold	83	420,000	27/4/02	2,118,044	271,544	3/11/83	
Lot No. 2333-2, Barrigada	Residential	6,675	Freehold	83	100,000	22/4/02	312,312	40,040	3/11/83	
Lot No. 5137-7-R2, Tumon	Commercial	9,270	Freehold	83	860,000	26/4/02	4,338,360	556,200	3/11/83	
Lot No. 207-4 & 5, Piti	Commercial	41,251	Freehold	83	310,000 <i>(Note 5)</i>	24/4/02	1,287,039	165,005	3/11/83	
Lot No. 5148-3, Dededo	Commercial	14,825	Medium-term	83	2,000,000	23/4/02	1,374,750	700,000	3/11/83	
Lot No. 5148-R2, Dededo	Industrial/ Commercial	98,476	Medium-term	41	2,100,000	23/4/02	<i>(Note 7)</i>	N/A	N/A	
Total carrying value of land in Guam, U.S.A. for investment								62,442,278		

(ii) Properties in Hong Kong for development

Location	Type of use	Approx. gross floor area <i>sq.m.</i>	Stage of completion	Expected completion date	Term of lease	Group's interest %	Valuation <i>HK\$</i>	Valuation date	Carrying	Historical valuation <i>HK\$</i>	Historical valuation date
									Value at 31st January, 2002 <i>HK\$</i>		
No. 46 Oxford Road and No. 20 Hereford Road, Kowloon Tong, Kowloon (New Kowloon Inland Lot No. 4153)	Residential	2,312	Planning stage	-	medium-term	100	77,000,000 <i>(Note 2)</i>	31/1/2002	38,026,765	38,026,765 <i>(Note 3)</i>	N/A

(C) PROPERTIES FOR SALE

Location	Type of use	Approx. site area sq.m.	Approx. gross floor area sq.m.	Term of lease	Group's interest %	Valuation HK\$	Valuation Date	Carrying	Historical valuation HK\$	Historical valuation date
								Value at 31st January, 2002 HK\$		
<i>Hong Kong</i>										
16 flats & 17 carparks of Oxford Garden, 18 Cornwall Street, Kowloon Tong, Kowloon (New Kowloon Inland Lot No. 5285)	Residential	N/A	2,314	Medium-term	100	75,000,000 (Note 2)	31/1/2002	5,340,574	80,000,000 (Note 2)	31/1/2001
<i>Guam U.S.A.</i>										
Lot B, Dandan, Inarajan, Guam Estate No. 16, Suburban	Residential	78,513	N/A	Freehold	44	N/A	N/A	1,007,574	1,007,574 (Note 3)	N/A
Total carrying value of properties for sale								6,348,148		

- Note:*
- The gross floor area of 8 Fei Ha Road, Clearwater Bay, Sai Kung, New Territories (Lot No. 1933 in Survey District No.2) calculated in accordance with the Buildings Ordinance is 595 sq.m and not 542 sq.m. as disclosed in the Company's previous annual reports. The floor area as shown in the marketing materials of 1993 represents only an approximation of the lettable area of this property.
 - In accordance with the Group's accounting policy, the valuation was not adopted in the financial statements.
 - Amount recorded at cost value as no valuation was previously undertaken on the property.
 - The amount represents the value of the land carried at 1975 valuation plus subsequent costs capitalised.
 - The amount represents the value of the land in which the Group has 50% interest.
 - The amount represents the value of the land with a site area of 109,996 sq.m. in which approximately 60,000 sq.m. is held by the Group.
 - This property represents a medium term operating lease held by an associate.

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statements herein misleading.

PARTICULARS OF DIRECTORS*Executive Directors:*

Mr. Lee Teh Yee, William, aged 47, has been a director of the Company since November 1978. He has been appointed chairman of the Board since 1985. He has over 15 years' experience in corporate management and investment. He is a brother of Ms. Lee An Fen and Ms. Lee Wan Wah. Mr. Lee is also a director of a number of the Group companies.

Mr. Kiang Chee Man, Robert, aged 64, has been a director of the Company since May 1977. He has over 30 years' experience in corporate investment, manufacturing and property field. Mr. Kiang is also a director of a number of the Group companies.

Ms. Lee An Fen, aged 49, has been a director of the Company since July 1980. She has over 15 years' experience in investment, trading and distribution. She is a sister of Mr. Lee Teh Yee William and Miss Lee Wan Wah.

Ms. Lee Wan Wah, aged 51, has been a director of the Company since April 1973. She has over 20 years' experience in garment and textile business and corporate investment. She is a sister of Mr. Lee Teh Yee William and Miss Lee An Fen.

Mr. Robert Horatius Bonar, aged 67, has been an alternate director for Mr. Kiang Chee Man Robert since April 1991. He has over 30 years' experience in property and management field.

Mr. Wong Shu Yuen, aged 51, has been an alternate director for Miss Lee Wan Wah since February 1999. He has over 20 years' experience in property and construction field.

Independent Non-executive Directors:

Mr. Chow Sy Pien, aged 82, has been a non-executive director of the Company since 1987. He is a retired banker with over 30 years' experience in commercial banking.

Mr. Cheung Tze Fat, Alfred, aged 38, is a newly appointed non-executive director of the Company. He was admitted as a solicitor of Hong Kong and is currently engaged in the Legal Affairs Department in a multinational corporation. Mr. Cheung has had more than 10 years commercial experience prior to his admission as a solicitor.

Mr. Lau Hak Lap, Arthur, aged 33, is a newly appointed non-executive director of the Company. He is a member of the Association of Chartered Certified Accountants and the Hong Kong Society of Accountants. He has over 10 years' experience in the accounting and finance field. Mr. Lau is a partner of a firm of certified public accountants in Hong Kong.

Mr. Chan Kam Lun, Daniel, aged 56, has been a non-executive director of the Company since May 1998. He has been a solicitor practising in Hong Kong since June 1978. Mr. Chan is a partner of a firm of solicitors in Hong Kong.

PARTIES INVOLVED IN THE OPEN OFFER AND CORPORATE INFORMATION

Registered office

1601 Wing On Centre,
111 Connaught Road Central,
Hong Kong

Legal advisers to the Company

Johnson Stokes & Master
16-19 Floor, Prince's Building,
10 Chater Road, Central,
Hong Kong

Auditors

Deloitte Touche Tohmatsu
Certified Public Accountants
26th Floor
Wing On Centre
111 Connaught Road Central
Hong Kong

Principal bankers

The HongKong & Shanghai Banking Corporation Limited
The Chase Manhattan Bank, N.A.
Wing Hang Bank Limited
The Bank of Tokyo-Mitsubishi Limited
Chekiang First Bank Limited
Bank of Communications
Citibank, N.A.

Share Registrars

Sums Limited
1601 Wing On Centre,
111 Connaught Road, Central,
Hong Kong

Company secretary

Ho Kwok Kuen (AHKSA)

DISCLOSURE OF INTERESTS AND SUBSTANTIAL SHAREHOLDERS

On 26th April, 2000, an inspector was appointed by the Financial Secretary pursuant to Section 33 of the Securities (Disclosure of Interests) Ordinance to investigate and report on the membership of the Company. The inspector's report was published in 2001, which suggested that Mr. James Smith Lee controlled 89.16% of the shares of the Company.

On 4th January, 2002, the Company wrote to each of the Eleven Major Shareholders seeking their comments on the inspectors' report. However, the Company has not received any response from the Eleven Major Shareholders nor has the Company been notified by any person, not being a director of the Company, of interests in the share capital of the Company required to be recorded in the register under Section 16(1) of the Securities (Disclosure of Interests) Ordinance.

MATERIAL CONTRACTS

No contracts (other than contracts entered into in the ordinary course of business) had been entered into by any member of the Group within two years immediately preceding the date of this circular which are or may be material.

SERVICE CONTRACTS

None of the Directors has any existing or proposed service contract with any member of the Group excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

EXPENSES

The expenses in connection with the Open Offer, including the financial advisory independent financial advisory, valuer fee, printing, registration, translation, legal, and accounting charges are estimated to amount to approximately \$1.5 million and will be payable by the Company.

LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

CONSENTS AND EXPERT

DTZ Debenham Tie Leung Limited and Micronesia Appraisal Associates, Inc, the property valuers of the Company, have given their written consent to the issue of this circular with the inclusion herein of the Schedule of Properties in Appendix II and the references to their names in the form and context in which they appear in this circular. Quam Capital has also given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of letter of advice from Quam Capital and the references to their names in the form and context in which they appear in this circular.

As at the Latest Practicable Date, Quam Capital is not beneficially interested in the share capital of any member of the Group, nor has any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group and does not have any interest, whether directly or indirectly, in any assets which have been, since 31st January, 2002, being the date to which the latest published audited consolidated financial statements of the Company 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.

MISCELLANEOUS

- (a) Since 31st January, 2002, the date to which the latest published audited accounts of the Group were made up, none of the Directors has or has had any interest, either directly or indirectly, in any assets which have been acquired by, disposed of or leased to or which are proposed to be acquired by, disposed of or leased to the Company or any of its subsidiaries.
- (b) No contracts of significance, to which the Company or any of its subsidiaries was a party, in which a Director had a material interest and which was significant in relation to the business of the Group, subsisted as at the Latest Practicable Date.
- (c) No share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.
- (d) The English text of this circular and the accompanying form of proxy shall prevail over the Chinese text.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (Saturdays and public holidays excepted) at the registered office of the Company in Hong Kong up to and including Thursday, 1 August 2002:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for the three years ended 31st January 2000, 2001 and 2002;
- (c) the letter of Quam Capital, the text of which is set out on page 17 to 27 of this circular; and
- (d) the written consents given by DTZ Debenham Tie Leung Limited, Micronesian Appraisal Associates, Inc. and Quam Capital.

NOTICE OF THE EGM

OXFORD PROPERTIES & FINANCE LIMITED

(incorporated in Hong Kong with limited liability)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Oxford Properties & Finance Limited (the “Company”) to be held at Gloucester Room II, 2/F, The Excelsior, Hong Kong, 281 Gloucester Road, Causeway Bay, Hong Kong at 4:00 p.m. on Thursday, 1 August 2002, for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions of the Company:

FIRST ORDINARY RESOLUTION

“**THAT**, conditional upon (1) the Listing Committee of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) granting or agreeing to grant (subject to allotment), and not having revoked the listing of and permission to deal in the Offer Shares (as defined below), proposed to be allotted and issued to shareholders of the Company as described in the Circular (as defined below) pursuant to the terms and conditions of the Open Offer (as defined below).

- (a) the issue by way of an open offer (the “Open Offer”) of 15,046,920 new shares of HK\$1 each in the capital of the Company (the “Offer Shares”) to holders of existing shares of HK\$1 each in the capital of the Company (the “Shares”) other than the Excluded Shareholders (as defined below), whose names appears on the register of members of the Company as at the close of business on Tuesday, 13 August 2002 (the “Record Date”) and whose addresses as shown on the register of members of the Company on that day are in Hong Kong on the basis of nine Offer Shares for every four existing Shares then held and otherwise on the terms and conditions set out in a circular of the Company dated 2 July 2002 (the “Circular”) to the shareholders of the Company, a copy of which has been produced to the meeting marked “A” and signed by the chairman of the meeting by way of identification be and is hereby approved;
- (b) the directors of the Company (the “Directors”) be and are hereby authorised to allot and issue the Offer Shares pursuant to or in connection with the Open Offer notwithstanding that the same may be offered, allotted or issued otherwise than pro rata to the existing shareholders of the Company and, in particular, the Directors may make such exclusions or other arrangements in relation to Excluded Shareholders (as defined below) as they deem necessary or expedient having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory applicable to the Company or any territory outside Hong Kong;
- (c) the Directors be and are hereby authorised to do all acts and things which in their opinion are necessary in connection with the creation, allotment and issue of the Offer Shares, the implementation of the Open Offer and to make and agree to such variations of the terms of the Open Offer as they may consider desirable or necessary; and

NOTICE OF THE EGM

(d) for the purpose of this Resolution and the notes to this Notice:

“Connected Person”	means	a Director, chief executive or substantial shareholder of the Company or any of its subsidiaries or an associate of any of them
“Connected Shareholders”	means	Shareholders who are Connected Persons, any person whose acquisition of Shares has been financed directly or indirectly by a Connected Person and any person who is accustomed to take instructions from a Connected Person in relation to the acquisition, disposal, voting or other disposition of Shares registered in his name or otherwise held by him
“Eleven Major Shareholders”	means	the eleven shareholders as defined in the inspection report published on 21 December 2001 by Inspector Mr Stephen Man-Tak Suen appointed by the Financial Secretary of Hong Kong, namely, Peaceful Investment Inc, Barkston Investment Ltd, Lotus Real Estate Inc, Development & Trust Inc, Good American Inc, S Yamamoto for Hong Kong KIn First Stock Exchange Co, San Ting Enterprise Inc, Californian Enterprise Inc, Peaceful Corporation, Legal (Nominees) Ltd and Gyna Incorporated
“Excluded Shareholders”	means	Shareholders of the Company other than the Independent Qualifying Shareholders
“Independent Qualifying Shareholders”	means	those Shareholders other than the Eleven Major Shareholders, Mr James Smith Lee, and Connected Shareholders, whose names appears on the register of members of the Company on the Record Date and whose addresses as shown on the register of members of the Company on that day, are in Hong Kong
“Independent Shareholders”	means	those Shareholders other than the Eleven Major Shareholders, Mr James Smith Lee and Connected Shareholders
“Shareholders”	means	holder(s) of the Shares

Shareholders who vote as Independent Shareholders on the First Ordinary Resolution relating to the Open Offer at the EGM should satisfy themselves that they are qualified to vote as Independent Shareholders and should take sole responsibilities for any actions which may be taken by The Stock Exchange of Hong Kong Limited or other recognised regulatory bodies if it is found out that they are indeed the Connected Shareholders as at the date of EGM.

NOTICE OF THE EGM

SECOND ORDINARY RESOLUTION

“**THAT**, conditional upon the Offer Shares (as defined in the First Ordinary Resolution set out in the notice of the meeting of the Company dated 2 July 2002) having been duly allotted and issued pursuant to the First Ordinary Resolution:

- (a) subject to paragraph (c) of this Resolution, the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and deal in additional Shares, securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or securities convertible into Shares, and to make or grant offers, agreements and/or option which would or might require the exercise of such powers, subject to and in accordance with all applicable laws, be and is hereby generally and unconditional approved in substitution for and to the exclusion of any existing authority previously granted;
- (b) the approval in paragraph (a) of this Resolution shall be in addition to any other authorisation given to the Directors and shall authorise the Directors during the Relevant Period to make or grant offers, agreements and/or options which would or might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted and issued (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to (i) an issue by way of rights (as defined below); (ii) the exercise of rights of subscription or conversion under the terms of any warrants issued by the Company from time to time or any securities which are convertible into Shares; (iii) the exercise of any options or rights granted pursuant to any options scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of Shares or rights to acquire Shares; (iv) an issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Company’s memorandum and article of association; or (v) any offer of any class of securities of the Company made pro rata (apart from fractional entitlements) by the Company to holders of such class of securities (excluding for that purpose any holder whose registered address as shown in the register of members of the Company on the relevant record date is outside Hong Kong), shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this Resolution as enlarged by the issue of new Shares pursuant to the Open Offer as referred to in the First Ordinary Resolution set out in the notice of meeting of the Company dated 2 July 2002 and the said approval shall be limited accordingly; and
- (d) for the purpose of this Resolution:

“Relevant period” means the period from the passing of this Resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;

NOTICE OF THE EGM

- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the laws of Hong Kong or the memorandum and article of association of the Company to be held; or
- (iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting; and

“issue by way rights” mean an offer of Shares open for a period fixed by the Directors to holders of Shares on the register of members of the Company on a fixed record date in proportion to their then holdings of such Shares (subject to such exclusions or other arrangement as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to the Company).”

By order of the Board
Oxford Properties & Finance Limited
Wong Shu Yuen
Director

Hong Kong, 2 July 2002

Notes:

1. The register of members of the Company will be closed from Wednesday, 7 August 2002 to Tuesday, 13 August 2002 (both days inclusive), during which period no share transfers will be registered. In order to qualify for participating in the Open Offer, all transfers of Shares (with the relevant share certificates) must be lodged with the Share Registrar of the Company, Sums Limited, at 1601 Wing On Centre, 111 Connaught Road Central, Hong Kong by not later than 4:00 p.m. on Tuesday, 6 August 2002.
2. A member entitled to attend and vote at the EGM is entitled to appoint a proxy to attend and vote in his/her stead. A proxy needs not be a member of the Company.
3. A form of proxy for the EGM is enclosed. The form of proxy must be returned to the share registrar of the Company, Sums Limited, 1601 Wing On Centre, 111 Connaught Road Central, Hong Kong as soon as practicable and in any event not less than 48 hours before the time appointed for holding the EGM or adjourned meeting.
4. Mr. James Smith Lee and the Eleven Major Shareholders, Mr. Lee Teh Yee, William and Modern Aspac and their respective associates (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) shall abstain from voting on the First Ordinary Resolution.