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OXFORD PROPERTIES & FINANCE LIMITED

晉利地產金融有限公司

(incorporated in Hong Kong with limited liability)

RECOMMENDATIONS TO THE INDEPENDENT SHAREHOLDERS

regarding

MANDATORY UNCONDITIONAL CASH OFFER

by

SMART EXTRA HOLDINGS LIMITED

through its agents

Baron Capital Limited and KIM ENG SECURITIES (HONG KONG) LIMITED

TO ACQUIRE

ALL THE ISSUED SHARES IN

OXFORD PROPERTIES & FINANCE LIMITED,

(Other than those already owned by Smart Extra Holdings Limited)

and

REGARDING THE INTENDED PRIVATISATION OF

OXFORD PROPERTIES & FINANCE LIMITED

by

SMART EXTRA HOLDINGS LIMITED

by way of

A SCHEME OF ARRANGEMENT

Under section 166 of the Companies Ordinance

Independent Financial Advisers to the Independent Board Committee of

Oxford Properties & Finance Limited

SHENYIN WANGUO CAPITAL (H.K.) LIMITED

A letter from the Independent Board Committee containing its recommendations in respect of the Offer, in particular the Offer in the light of the Scheme Proposal, and in respect of the Scheme Proposal are set out on pages 35 to 37.

A letter from Shenyin Wanguo Capital (H.K.) Limited containing its advice to the Independent Board Committee in respect of the Offer, in particular the Offer in the light of the Scheme Proposal, and in respect of the Scheme Proposal is set out on pages 38 to 61.

3rd October, 2003

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EXPECTED TIMETABLE

2003

Posting of the Offer Document (<i>Note 1</i>)	Tuesday, 17th June
Offer open	Tuesday, 17th June
Posting of the Composite Document (being the Offeree Document and the Scheme Document combined).....	Friday, 3rd October
Closing date and the latest time for acceptance of the Offer unless the Offer is extended (<i>Note 1</i>)	4:00 p.m. on Friday, 17th October
Giving Notices of Meetings both in respect of meetings of members or classes of members as may be summoned by the Court (which will be accompanied by an Explanatory Statement pursuant to s.166 A of the Companies Ordinance) and EGM (<i>Note 2</i>)	to be determined
Holding of meetings summoned by the Court, and EGM (<i>Note 2</i>)	to be determined
Hearing of the Petition to Court for obtaining sanction in respect of the Scheme (<i>Note 2</i>)	to be determined
Scheme becomes effective (<i>Note 2</i>).....	to be determined
Payment made to Scheme Shareholders (<i>Note 2</i>).....	to be determined

Note:

1. Under the Takeovers Code, where the offeree document is posted after the date of the offer document, the Offer must remain open for acceptance for at least 28 days following the date on which the Offer Document is posted. According to the timetable set out in the Offer Document, the closing date of the Offer should therefore be 16th July, 2003.

As this document is posted more than 14 days after the posting of the Offer Document, consent has been given by Smart Extra and the Executive to extend the Closing Date to Friday, 17th October, 2003, which is 14 days following the date on which this document is posted.

As required by Rule 19.1 of the Takeovers Code, by 6:00 p.m. (or such later date as the Executive may in exceptional circumstances permit) on the Closing Date, Smart Extra must inform the Executive, the Stock Exchange and the Company of its decision in relation to the revision, extension or expiry of the Offer. Smart Extra must publish a teletext announcement through the Stock Exchange by 7:00 p.m. on the Closing Date stating whether the Offer has been revised, extended or has expired. Such announcement must be republished in accordance with Rule 12.2 of the Takeovers Code (i.e. as a paid announcement in at least one leading English language newspaper and one leading Chinese language newspaper published daily and circulating generally in Hong Kong) on the next business day thereafter.

As stated in the Offer Document, Smart Extra reserves the right to revise and/or to extend the Offer until such date as it may determine in accordance with the Takeovers Code (or as permitted by the Executive). In the event that the Offer is to be extended or revised or both, Smart Extra will issue a press announcement which will state either the next closing date of the Offer or that the Offer will remain open until further notice. In the latter case, at least 14 days' notice in writing will be given, before the Offer is closed, to those Qualifying Shareholders who have not accepted the Offer.

2. Shareholders will note that no application has yet been made to the Court for obtaining an order for, *inter alia*, summoning meetings of members or meetings of classes of members pursuant to section 166 of the Companies Ordinance by reason of the fact that Oxford has been rendered unable to formulate a scheme within the meanings of section 166 of the Companies Ordinance as at the date of despatch of the Composite Document. Oxford will be in a position to do so only after the identity of the Scheme Shareholders, one of the parties to the application to Court for obtaining an order, *inter alia*, summoning the meetings of members or classes of members, can be ascertained. Accordingly, Oxford will not be in a position to inform Shareholders of Oxford's genuinely expected timetable in respect of the Scheme and anything in respect thereof and/or in connection therewith until after the Offer is closed and the Court has ordered that meetings of members or classes of members be summoned. An expected timetable in respect of the Scheme, however, will be accompanied by the Notices of Meetings as well as being published in the newspapers.

DEFINITIONS

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

“Acquisition”	the acquisition by Smart Extra during the period from 31st March, 2003 to 11th April, 2003 (both dates inclusive) in respect of a total of 60,406,962 Shares from certain Shareholders, representing approximately 89.15% of the Shares in issue as 13th June, 2003, at an uniform agreed price of HK\$8.00 per Share and representing approximately 89.15% of the voting rights of Oxford
“acting in concert”	has the meaning ascribed thereto under the Takeovers Code
“associate”	has the meaning ascribed thereto under the Listing Rules
“Announcement”	the announcement dated 21st May, 2003 issued by Smart Extra relating to the Offer and the Scheme Proposal and published in The Standard and Hong Kong Economic Journal on 22nd May, 2003
“Announcement Date”	21st May, 2003, being the date of the Announcement
“Baron Capital”	Baron Capital Limited, a licensed corporation under the SFO, is one of the two agents of Smart Extra in respect of the Offer
“Board”	the board of Directors of the Company
“Cancellation Price”	the proposed cancellation price of HK\$15.00 per Share which will be payable by Smart Extra to the Scheme Shareholders in the event that the Scheme becomes effective
“Closing Date”	the closing date of the Offer, 17th October, 2003, the details of which are set out in the Expected Timetable on page 1 of this Document
“Codes”	The Codes on Takeovers and Mergers and Share Repurchases
“Company” or “Oxford”	Oxford Properties & Finance Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Stock Exchange
“Companies Ordinance”	Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Composite Document”	the Company’s circular in response to the Offer and the Company’s circular in respect of the Scheme Proposal and of the Scheme in a composite form in accordance with the provisions of the Takeovers Code

DEFINITIONS

“Court Meeting”	the meeting of the Disinterested Shareholders to be convened at the direction of the Court of First Instance of Hong Kong for the approval of the Scheme
“Directors”	the directors of the Company
“Disinterested Shareholder(s)”	holder(s) of Disinterested Shares
“Disinterested Shares”	Shares other than those which are already owned by Smart Extra and persons acting in concert with it in accordance with Note 6 to Rule 2 of the Takeovers Code and in this respect each of MADC and Mr. J. Lee is presumed to be a party acting in concert with Smart Extra by virtue of the meaning ascribed to “a party acting in concert” under the Takeovers Code
“Effective Date”	the day on which the Scheme becomes effective
“EGM”	the extraordinary general meeting of Oxford to be held on the same day as the Court Meeting is held and as soon as practicable after the Court Meeting shall have been concluded for the purpose of approving and giving effect to the Scheme (including the cancellation of the Scheme Shares)
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director
“Explanatory Statement”	a statement which is to be sent to members of Oxford along with the notice summoning the meeting(s) stating, inter alia, the effect of the scheme of arrangement, in compliance with the requirements set forth in section 166A of the Companies Ordinance
“Group”	Oxford and any company which is for the time being a subsidiary of Oxford
“HK\$” and “Cents”	Hong Kong dollar(s) and cent(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

DEFINITIONS

“Independent Board Committee”	an ad hoc independent committee comprising Messrs. Alfred Cheung Tze Fat and Lau Hak Lap (both of whom are Independent Non-executive Directors of Oxford), Messrs. Lai Man Leung and Clive William Oxley (both of whom are Non-executive Directors of Oxford), which has been established to advise Independent Shareholders as to whether the terms of the Offer and the Scheme Proposal are considered fair and reasonable
“Independent Shareholders”	Shareholders other than Smart Extra and/or parties acting in concert with it (and in this respect, each of MADC and Mr. J. Lee is presumed to be a party acting in concert with Smart Extra and are therefore excluded from this definition)
“Investigation Report”	the report, issued by a firm of independent accountants, namely HLB Hodgson Impey Cheng, addressing the allegations made by certain shareholders against the Company concerning certain properties in Guam, U.S.A.
“Kim Eng”	Kim Eng Capital (Hong Kong) Limited and Kim Eng Corporate Finance (Hong Kong) Limited, both being licensed corporations under the SFO, are two of the financial advisers to Smart Extra
“Kim Eng Securities”	Kim Eng Securities (Hong Kong) Limited, a licensed corporation under the SFO, one of the two agents for Smart Extra in respect of the Offer
“Latest Practicable Date”	30th September, 2003, being the latest practicable date prior to the printing of the Composite Document
“Listing”	the listing of the Shares on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MADC”	Modern Aspac Development Company Limited, a company incorporated in Hong Kong with limited liability which is an associated company of Oxford and in which Mr. W. Lee is deemed to have a 50% interest, and which is interested in 409,400 Shares, representing approximately 0.6% of the Shares in issue as at the Latest Practicable Date
“Meeting(s)”	the Court Meeting(s) and the EGM or either of these, as the case may be

DEFINITIONS

“Mr. J. Lee”	Mr. James Lee, the father of Mr. W. Lee, is interested in 90,118 Shares, representing approximately 0.13% of the Shares in issue as at the date of this announcement
“Mr. W. Lee”	Mr. Lee William Teh Yee, an executive director of Oxford and the sole director of Smart Extra
“Offer”	the mandatory unconditional cash offer extended by Smart Extra through its agents Baron Capital and Kim Eng Securities for the Shares in issue (other than those already held by Smart Extra) at the price and on the terms and subject to the conditions of acceptance set out in the Offer Document despatched to Shareholders pursuant to the requirements of the Takeovers Code
“Offer Document”	the document dated 17th June, 2003 issued by Smart Extra, the Offeror, containing the Offer and its terms and the form of acceptance and transfer
“Pre-Announcement Date”	31st March, 2003 (being the last day of trading of the Shares on the Stock Exchange prior to the date of the Announcement)
“Qualifying Shareholders”	Shareholders other than Smart Extra, but including MADC and Mr. J. Lee, who are qualified to accept the Offer
“record date”	the business day immediately preceding the Effective Date
“Register”	the register of members of the Company
“Scheme”	a scheme of arrangement formulated pursuant to the terms and conditions of the Scheme Proposal under s.166 of the Companies Ordinance
“Scheme Conditions”	the conditions to which the Scheme Proposal is subject, which are set out in the paragraph headed “Conditions of the Scheme Proposal” under the section headed “Scheme of Arrangement” in this Composite Document
“Scheme Proposal”	the proposal for the privatisation of Oxford by Smart Extra by way of the Scheme
“Scheme Shareholder(s)”	Shareholders other than Smart Extra but including MADC and Mr. J. Lee, who are qualified to participate in the Scheme
“Scheme Shares”	Shares held by the Scheme Shareholders
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong

DEFINITIONS

“Share(s)”	ordinary shares of HK\$1.00 each in the capital of Oxford
“Shareholders”	holders of Shares
“Share Registrar”	Sums Limited, the share Registrar of the Company whose office is situate at 1601 Wing On Centre, 111 Connaught Road, Central, Hong Kong
“Shenyin Wanguo” or “Independent Financial Advisers”	Shenyin Wanguo Capital (H.K.) Limited, a licensed corporation under the SFO engaged in the regulated activities of dealing in securities, advising on securities, advising on corporate finance and asset management, being the independent financial advisers to the Independent Board Committee
“Smart Extra” or “Offeror”	Smart Extra Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and beneficially wholly-owned by Mr. W. Lee
“Stock Exchange”	The Stock Exchange of Hong Kong Limited, a company with limited liability incorporated in Hong Kong and whose shares are listed on The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“trading day”	a day on which the Stock Exchange is open for trading in securities
“Valuation Report”	the report of valuations of the Company’s landed properties in Hong Kong and Guam, U.S.A. (the summaries of which are set out as Appendix II of this document) prepared respectively by DTZ Debenham Tie Leung Limited and Micronesia Appraisal Associates, Inc.
“William Group”	General Clothing Group (Mfr.) Ltd. and Solid Capital Investment Company Ltd., which are controlled by and beneficially owned as to 91% and approximately 51%, respectively, by Mr. W. Lee, which together have a 50% interest in MADC. Insofar as Oxford is aware, Mr. J. Lee, Ms. Lee An Fen (the sister of Mr. W. Lee) and Gyna Incorporated own a 9% interest in General Clothing Group (Mfr.) Ltd. while Alihs Corporation S.A. and Mr. J. Lee own the remaining interest of approximately 49% in Solid Capital Investment Company Ltd.
“%”	per cent

DEFINITIONS

- Headings are used for convenience only and shall not affect the interpretation of this Composite Document.
- Unless otherwise stated reference to a clause, an appendix or a schedule is a reference to respectively a clause in or an appendix or schedule to this Composite Document.
- In this Composite Document unless the context does not so admit, reference to the singular includes a reference to the plural and vice versa and reference to any gender includes a reference to all other genders.
- In this Composite Document reference to a person includes any legal or natural person, partnership, firm, trust company, government or local authority, department or other body (whether corporate or unincorporate).
- In this Composite Document unless the context does not so admit reference to an individual shall include his personal representative(s).
- References to any enactment are to be construed as referring also to any amendment or re-enactment of it (whether before or after the date of this Composite Document) and to any previous enactment which such enactment has replaced (with or without amendment) provided the amendment does not change the law at the date of this Composite Document and to any regulation or order made under it. Reference in this Composite Document to any statute or regulation made using a commonly used abbreviation shall be construed as a reference to the short title of the statute or full title of the regulation.

LETTER FROM THE BOARD

OXFORD PROPERTIES & FINANCE LIMITED

晉利地產金融有限公司

(incorporated in Hong Kong with limited liability)

Directors:

Executive Directors

Seto Chak Wah, Michael
alias Szeto Chak Wah, Michael (*Chairman*)
Lee Teh Yee, William
Kiang Chee Man, Robert
Wong Shu Yuen

Registered office:

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

Non-executive Directors

Lai Man Leung
Oxley, Clive William, OBE, ED

Independent Non-executive Directors

Cheung Tze Fat, Alfred
Lau Hak Lap

3rd October, 2003

To the Independent Shareholders

Dear Sir or Madam,

MANDATORY UNCONDITIONAL CASH OFFER

by
SMART EXTRA HOLDINGS LIMITED
through its agents

Baron Capital Limited and KIM ENG SECURITIES (HONG KONG) LIMITED

TO ACQUIRE
ALL THE ISSUED SHARES IN
OXFORD PROPERTIES & FINANCE LIMITED
(OTHER THAN THOSE ALREADY OWNED BY SMART EXTRA)

and

INTENDED PRIVATISATION OF OXFORD PROPERTIES & FINANCE LIMITED

by
SMART EXTRA HOLDINGS LIMITED
by way of
A SCHEME OF ARRANGEMENT
Pursuant to section 166 of the Companies Ordinance

INTRODUCTION

Firm intentions to extend general offer and to privatise Oxford announced

By an announcement published in the newspapers dated 21st May, 2003, Smart Extra announced that: (1) by virtue of the acquisitions it had contracted and completed during the period from 31st March,

LETTER FROM THE BOARD

2003 to 11th April, 2003 (both dates inclusive) Smart Extra itself had bought and held 60,406,962 Shares in the equity share capital of Oxford together with, inter alia, the voting rights attached thereto at a uniform price of HK\$8.00 per Share, representing 89.15% or thereabouts of the entire issued equity share capital of Oxford and of the voting rights of Oxford; (2) it had the firm intention to extend and would extend an unconditional general offer to the holders of equity share capital of Oxford on the basis of Rule 26 of the Takeovers Code; and (3) on 6th May, 2003, Smart Extra had initiated a request to Oxford to put forward a proposal to the holders of equity share capital of Oxford in respect of the privatisation of Oxford by way of a scheme of arrangement under section 166 of the Companies Ordinance.

Unconditional offer formally made by Smart Extra

In advancing its announced firm intention as aforesaid, Smart Extra did extend the Offer to the holders of equity share capital of Oxford by way of causing the despatch of an Offer Document dated 17th June, 2003 to the holders of equity share capital of Oxford. Such an Offer Document, with the Offer incorporated and containing the terms and relevant information thereof, together with the form of acceptance and transfer in respect of the Offer were despatched to the holders of the equity share capital of Oxford on 17th June, 2003.

Ad hoc Independent Board Committee established and Independent Financial Advisers appointed

An ad hoc Independent Board Committee, comprising Messrs. Alfred Cheung Tze Fat and Lau Hak Lap (both of whom are Independent Non-executive Directors of Oxford), Messrs. Lai Man Leung and Clive William Oxley (both of whom are Non-executive Directors of Oxford), has been established to advise Independent Shareholders as to whether the Offer and the Scheme Proposal, should it be implemented on the terms as indicated, are both considered fair and reasonable. Directors other than members of the Independent Board Committee are regarded as not independent both in respect of the Offer and the intended privatisation of Oxford by way of a scheme of arrangement as aforesaid for the reason that each and every one of them is a salaried employee of Oxford. Furthermore, Mr. W. Lee, apart from being the sole director of Smart Extra, is the legal and beneficial owner of all the issued share capital of Smart Extra.

Shenyin Wanguo have been appointed as Independent Financial Advisers who are charged with the responsibility to advise the Independent Board Committee so as to enable members of the Independent Board Committee to properly discharge the functions for which it has been established as aforesaid.

The purposes for which this document has been compiled

The purposes for which this document has been compiled are: (1) to furnish you with relevant information in respect of the Group, of which Oxford forms part; (2) to inform you of the advice of the Independent Board Committee by way of a letter of advice addressed to the Independent Shareholders both in respect of (a) the Offer, and in particular the Offer in the light of the intended privatisation of Oxford by way of a scheme of arrangement as aforesaid and (b) the Scheme Proposal pursuant to the terms and conditions by which it is proposed that Oxford is to be privatised by Smart Extra; and (3) to inform you of the advice of Shenyin Wanguo to the Independent Board Committee by including in this Composite Document a true and exact copy of their letter of advice to the Independent Board Committee issued by them as experts in respect of the Offer and in particular the Offer in the light of the intended privatisation and the intended privatisation of Oxford in the terms and conditions of the Scheme Proposal.

LETTER FROM THE BOARD

ACQUISITION OF A CONTROLLING SHAREHOLDING IN OXFORD

(Information contained in this section is a digest of the relevant section(s) of the Offer Document.

Views expressed by Oxford hereunder, if any, are formed by Oxford in reliance upon such information as aforesaid)

By an announcement published in the newspapers on 22nd May, 2003, Smart Extra announced that it had the firm intention to extend the Offer which would be through its two agents named therein.

The Offer was made consequential upon Smart Extra's acquisitions which were completed during the period from 31st March, 2003 to 11th April, 2003 (both dates inclusive), at an uniform price of HK\$8.00 per Share, whereby Smart Extra became the legal and beneficial owner of and held 60,406,962 Shares in Oxford, representing 89.15% or thereabouts both of the entire issued equity share capital and of the voting rights of Oxford. By virtue of the acquisitions and/or the completion thereof as aforesaid, Smart Extra was obliged to extend the Offer.

It is the express intention of Smart Extra that Oxford be privatised by way of either the Offer or the Scheme Proposal to be implemented by way of a scheme of arrangement pursuant to section 166 of the Companies Ordinance.

The number of Shares for which the Offer is made is 7,353,038 Shares, representing 10.85% or thereabouts of the up-to-date entire issued share capital of Oxford, which are the Shares not already owned by Smart Extra.

MANDATORY UNCONDITIONAL CASH OFFER

(Information contained in this section is a digest of the relevant section(s) of the Offer Document.

Views expressed by Oxford hereunder, if any, are formed by Oxford in reliance upon such information as aforesaid)

The Offer

The Offer has been made by Smart Extra through its two named agents for all the Shares other than those already owned by Smart Extra on the following basis:

For each Share HK\$9.00 in cash

The Offer price of HK\$9.00 per Share represents:

- a discount of approximately 4.26% to the closing price per Share of HK\$9.40 on the Stock Exchange on the Pre-Announcement Date;
- a premium of approximately 2.51% over the average closing price per Share of HK\$8.78 for the 30 trading days prior to and including the Pre-Announcement Date;
- a discount of approximately 21.05% to the audited consolidated net asset value per Share of approximately HK\$11.40 as at 31st January, 2003.

On the basis of the Offer price being HK\$9.00 per Share, the value of Oxford would be HK\$609.84 million or thereabouts.

LETTER FROM THE BOARD

Offer price may or may not be final

Although Smart Extra has expressly stated in its Offer Document that it does not intend to extend or revise the Offer, it has however expressly reserved its right thereat to revise and/or extend the Offer at any time and from time to time after the despatch of the Offer Document, “either in the terms and conditions or in the value or nature of the consideration offered or otherwise in accordance with the relevant provisions of the Takeovers Code.” Any revision or extension of the Offer will be published in the newspapers as defined in the Listing Rules.

According to the Offer Document, “the benefit of any revision of the Offer will be available to any Qualifying Shareholder who has previously accepted the Offer. The execution by or on behalf of any Qualifying Shareholder, who has previously accepted the Offer by duly completing and delivering a form of acceptance and transfer to the Registrars shall be deemed to constitute acceptance of the revised Offer unless such Qualifying Shareholder becomes entitled to withdraw his or her acceptance and duly does so”.

The Offer being made is unconditional in all respects save and except for those conditions regarding the valid acceptance thereof.

No right of withdrawal

By validly accepting the Offer, Qualifying Shareholders will be obliged and bound to sell their Shares at the Offer price of HK\$9.00 per Share together with all rights attached, accrued and accruing to them, including but without limitation the right to receive all dividends and distributions declared, made or paid on or after the Announcement Date, free from all liens, charges and/or encumbrances, legal or otherwise.

Acceptance of the Offer will be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code.

Notwithstanding the aforesaid, the Executive may, in his absolute discretion, require that acceptors be granted a right of withdrawal, on terms acceptable to the Executive, by reason of Smart Extra’s inability to comply with Rule 19 of the Takeovers Code on a timely basis.

Pursuant to Rule 19.1 of the Takeovers Code, Smart Extra is, inter alia, required to inform the Executive and the Stock Exchange of its decision in relation to the revision, extension or expiry of the Offer by 6:00 p.m. on the Closing Date. Smart Extra must also cause to be published a teletext announcement through the Stock Exchange by 7:00 p.m. on the Closing Date stating, inter alia, whether the Offer has been revised or extended, or, alternatively, has expired. Such announcement must be republished in accordance with Rule 12 of the Takeovers Code on the next business day thereafter. In the event that Smart Extra is unable to comply strictly in conformity with any of the requirements of Rule 19 of the Takeovers Code, the Executive may require that acceptors be granted a right of withdrawal, on terms acceptable to the Executive, until the requirements of Rule 19 of the Takeovers Code can be met.

LETTER FROM THE BOARD

INTENDED PRIVATISATION OF OXFORD

(Information contained in this section is a digest of the relevant section(s) of the Offer Document.

Views expressed by Oxford hereunder, if any, are formed by Oxford in reliance upon such information as aforesaid)

It is the express intention of Smart Extra that Oxford be privatised by way of either the Offer or the Scheme Proposal to be implemented by way of a scheme of arrangement pursuant to section 166 of the Companies Ordinance.

The Offer might trigger off the compulsory acquisition provisions under section 168 of the Companies Ordinance

According to section 168 of, and the Ninth Schedule to, the Companies Ordinance, if, Smart Extra has, during the period of 4 months beginning on the date of the Offer, acquired not less than 90% in value of the Shares for which the Offer is made, by virtue of acceptances of the Offer or otherwise, Smart Extra shall be legally entitled to avail itself of the compulsory acquisition provisions under section 168 of, and the Ninth Schedule to, the Companies Ordinance whereupon Smart Extra may, if it so wishes at its sole and absolute discretion, not later than 5 months after the date of the Offer, give notice in the form and in the manner as statutorily specified and/or prescribed to the holders of any Shares to which the Offer relates which Smart Extra has not acquired that it desires to acquire those Shares and thereupon Smart Extra shall be legally entitled as well as bound to acquire those Shares on the terms of the Offer.

Rule 2.11 of the Takeovers Code

In addition to satisfying any requirements imposed by law as summarised above, Rule 2.11 of the Takeovers Code requires that the rights of compulsory acquisition may only be exercised if acceptances of the Offer and purchases (in each case of the Disinterested Shares) made by Smart Extra and persons acting in concert with it during the period of 4 months after posting the initial offer document total 90% of the Disinterested Shares.

According to Note 6 to Rule 2 of the Takeovers Code, “Disinterested Shares” means Shares which are not owned by the Offeror and parties acting in concert with it.

Impossibility of compulsory acquisition under Section 168 of the Companies Ordinance

After consultation with the Executive, approaches were made by Smart Extra to a very restricted number of sophisticated investors who are Disinterested Shareholders with a view to gathering irrevocable commitments in support of Smart Extra’s intended privatisation of Oxford by way of compulsory acquisition under section 168 of the Companies Ordinance. However, Smart Extra failed to obtain the required support as aforesaid. Up to 16th June, 2003, Smart Extra has received letters of irrevocable undertaking all dated 21st May, 2003 from 16 Disinterested Shareholders holding in aggregate approximately 3,866,040 Shares, representing approximately 5.71% of the issued share capital of Oxford or approximately 56.41% of the Disinterested Shares, whereby each and every one of them has confirmed on an irrevocable basis that they will not accept the Offer in respect of any of the Shares held by them on the terms and conditions as outlined in the Announcement.

LETTER FROM THE BOARD

Notice of support in respect of the Scheme Proposal

However, notices of intention to support the Scheme Proposal by voting in favour of the Scheme to be formulated pursuant to the Scheme Proposal both at the Court Meeting(s) and the EGM were also thereby given by each of the above 16 Disinterested Shareholders.

Anticipated disqualification

In the light of the aforesaid, Smart Extra has anticipated that it will not be able to qualify itself to avail itself of the compulsory acquisition provisions under section 168 of, and the Ninth Schedule to, the Companies Ordinance. Accordingly, Smart Extra has had to resort to the Scheme Proposal, the implementation of which will be subject to, *inter alia*, compliance with section 166 of the Companies Ordinance, being a residual provision, to carry out its intended privatisation in respect of Oxford by way of a scheme of arrangement.

THE SCHEME OF ARRANGEMENT pursuant to Section 166 of the Companies Ordinance

On 6th May, 2003, Smart Extra initiated a request to Oxford to put forward the Scheme Proposal to Shareholders in respect of the privatisation of Oxford by way of a scheme of arrangement pursuant to section 166 of the Companies Ordinance.

Oxford conditionally agreed to the privatisation proposal and conditionally acceded to Smart Extra's request to put forward the Scheme Proposal

At a meeting of the Board held on Tuesday, 10th June, 2003, the Board resolved, *inter alia*, to agree, subject to Shareholders' approval in a general meeting, to the privatisation of Oxford by way of the Scheme Proposal as it appeared to be beneficial to Oxford and its Shareholders as a whole, but subject always to an undertaking that Smart Extra would not abort or otherwise discontinue and/or withdraw the Scheme Proposal without Oxford's prior consent in writing (the "Smart Extra Scheme Undertaking"). The Board further resolved to accede to the request of Smart Extra to put forward the Scheme Proposal to Shareholders, but subject always to Smart Extra giving a duly executed irrevocable undertaking (the "Smart Extra Indemnity Undertaking") on terms, *inter alia*, as follows, namely, (1) to hold Oxford and its directors (whether jointly or severally, personally, collectively or otherwise) harmless concerning all matters (inclusive of negligence and wilful default) in respect of, arising out of, in connection with and/or incidental to Oxford putting forward the Scheme for and on Smart Extra's behalf; and (2) to promptly indemnify and keep Oxford and its directors (whether jointly or severally, personally, collectively or otherwise) indemnified; and (3) to keep Oxford in funds at all times for the purpose of defraying all costs, expenses or otherwise, incurred and/or expended howsoever and whatsoever by Oxford in all respects pertaining to the Scheme.

By a letter dated 11th June, 2003 Oxford informed Smart Extra of the resolutions of the Board of 10th June, 2003 as aforesaid.

Conditions precedent performed

On 13th June, 2003 Smart Extra delivered or caused to be delivered the duly executed Smart Extra Indemnity Undertaking to Oxford and on 19th June, 2003 confirmed in writing by a letter of 17th June, 2003 that it did and does agree and accept to be bound by the said two resolutions of Oxford passed on 10th June, 2003 *in toto*, without any variation or amendment thereto without Oxford's prior written consent and will further faithfully and diligently perform and execute and put into effect the same. On 19th June, 2003 Smart Extra delivered or caused to be delivered the duly signed Smart Extra Scheme Undertaking dated 17th June, 2003 to Oxford.

LETTER FROM THE BOARD

Shareholding Structure of Oxford

Based on the information provided by Smart Extra, a total of 49,834 Shares have been tendered for acceptance under the Offer up to the Latest Practicable Date. Accordingly, at the Latest Practicable Date, the Scheme Shareholders were interested in 7,303,204 Shares, representing approximately 10.77% of the entire issued equity share capital of Oxford.

The shareholding structure of Oxford tabulated hereunder is according to the information available to Oxford as at the Latest Practicable Date and on the presumption that the number of Shares in issue as at the date upon which Smart Extra will have fully discharged its payment obligations under the Scheme Proposal and/or the Scheme to be formulated in accordance with the Scheme Proposal will be the same as at the Latest Practicable Date.

	As at the Latest Practicable Date		Number of Scheme Shares	Immediately following completion of the Scheme Proposal	
	Number of Shares	%		Number of Shares	%
Smart Extra ¹	60,406,962	89.15	–	67,760,000	100
Smart Extra ²	49,834	0.08	–	–	–
MADC	409,400	0.60	409,400	–	–
Mr. J. Lee	90,118	0.13	90,118	–	–
Disinterested shareholders	<u>6,803,686</u>	<u>10.04</u>	<u>6,803,686</u>	<u>–</u>	<u>–</u>
Total	<u><u>67,760,000</u></u>	<u><u>100</u></u>	<u><u>7,303,204</u></u>	<u><u>67,760,000</u></u>	<u><u>100</u></u>

Notes:

- Shares acquired through Acquisition.
- Shares acquired through acceptance of the Offer up to the Latest Practicable Date.
- % figures are approximations only.
- Under the Scheme, the Scheme Shares (7,303,204 Shares) will be cancelled and 7,303,204 new Shares will be issued and allotted by Oxford to Smart Extra or its nominees, credited as fully paid at par of HK\$1.00 each.

OVERSEAS SHAREHOLDERS

As the making of the arrangement pursuant to section 166 of the Companies Ordinance with persons not resident in Hong Kong may be affected by the laws of the relevant jurisdiction in which they are resident, overseas shareholders who are citizens or residents or nationals of a jurisdiction outside Hong Kong should inform themselves about and observe any applicable legal or regulatory requirements and where necessary seek legal advice. It is the responsibility of overseas Shareholders who wish to participate in and/or accept the scheme of arrangement to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith (including, the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdiction).

LETTER FROM THE BOARD

Summary of the Scheme Proposal

It is proposed that the Scheme Proposal will be implemented by way of the Scheme, a summary of which is set out hereunder:

Salient terms of the Scheme as proposed

- (a) The entire issued share capital of Oxford shall be reduced from HK\$67,760,000.00 by an amount equivalent to the aggregate of the par value of all the Scheme Shares, by the cancellation of the Scheme Shares.
- (b) Subject to and forthwith upon the said reduction of capital taking effect, the entire issued share capital of Oxford shall be increased to its former amount (i.e., HK\$67,760,000.00) by the creation of the number of new Shares as will be equivalent to the number of Scheme Shares.
- (c) On the Effective Date, Oxford shall apply the reserve of an amount equivalent to the aggregate of the par value of the number of Shares as will be equivalent to the aggregate par value of the number of Scheme Shares, which will arise in its books of account as a result of the said reduction of capital in paying up in full at par all the new Shares which shall have been created by the increase of capital of Oxford as aforesaid and which shall be allotted to Smart Extra or its nominees, credited as fully-paid.

Note: As at the date of despatch of this Composite Document the Offer is still open for acceptance, Oxford will therefore not have been put in a position to ascertain and therefore state the number of Shares comprising the Scheme Shares until after the Offer is closed and Smart Extra will have paid for all the duly accepted Shares tendered for acceptance. Together with the Notices of Meeting, members of Oxford at the time will be sent an Explanatory Statement as stipulated under section 166A of the Companies Ordinance, which, *inter alia*, will contain a section as to the shareholding/member structure of Oxford, of which the Scheme Shares (in terms of number of Shares and of percentage with reference to the entire issued equity capital of Oxford at the time) will form part.

Payments by Smart Extra

- (i) In consideration of the cancellation of the Scheme Shares, Smart Extra shall pay to the persons who at the close of business on the record date are the proven holders of the Shares cancelled as aforesaid the sum of HK\$15.00 in cash in respect of each Scheme Share held by them respectively at such close of business.
- (ii) Within 10 days of the Effective Date, Smart Extra shall deliver or cause to be delivered to the persons entitled thereto cheques for any sums payable in accordance with clause (i) above.

Share certificates in respect of those Shares cancelled

On the Effective Date, all Share certificates representing holdings of those Shares cancelled as aforesaid shall cease to have effect as documents of title.

LETTER FROM THE BOARD

The Effective Date

This Scheme shall become effective as soon as all the conditions set out under the section headed “Conditions of the Scheme Proposal” are fulfilled and/or otherwise satisfied and/or waived (as the case may be).

Unless this Scheme shall have become effective on or before a date to be determined by either Smart Extra and/or Smart Extra and Oxford together (a further announcement will be made in respect thereof), the same shall lapse and never become effective.

Note: Smart Extra in this context shall mean Smart Extra and/or any of its duly authorised agent(s) and/or servant(s).

Consent to modifications

Smart Extra may, by its duly authorised agent(s)/servant(s), consent on behalf of all persons concerned to any modification of or addition to this Scheme or to any condition which the Court may approve or impose without any further Court Meeting to be held therefor.

Cancellation consideration

The cancellation consideration of HK\$15.00 per Scheme Share represents:

- a premium of approximately 59.57% over the closing price per Share of HK\$9.40 on the Stock Exchange on the Pre-Announcement Date;
- a premium of approximately 70.84% over the average closing price per Share of HK\$8.78 for the 30 trading days prior to and including the Pre-Announcement Date;
- a premium of approximately 6.91% over the audited consolidated net asset value per Share of HK\$14.03 as at 31st January, 2002;
- a premium of approximately 6.61% over the unaudited consolidated net asset value per Share of HK\$14.07 as at 31st July, 2002; and
- a premium of approximately 31.58% over the audited consolidated net asset value per Share of approximately HK\$11.40 as at 31st January, 2003.

On the basis of the consideration of HK\$15.00 per Scheme Share, the Scheme Proposal values the entire issued share capital of Oxford at HK\$1,016.40 million.

Notes:

1. Scheme Shareholders will have already noted from the Offer Document that the consideration of HK\$15.00 per Scheme Share was arrived at by Smart Extra after taking into account the above.
2. Scheme Shareholders will have already noted from the Offer Document that Baron Capital and Kim Eng have confirmed that Smart Extra has produced evidence to the satisfaction of both Baron Capital and Kim Eng that Smart Extra has made available sufficient financial resources to implement the Scheme in full.

LETTER FROM THE BOARD

Conditions of the Scheme Proposal

The Scheme Proposal will become effective and binding on Oxford and all Shareholders subject to fulfilment of each of the following conditions, unless otherwise satisfied or waived:

- (i) the approval of the Scheme by a majority in number of the Independent Shareholders present and voting (either in person or by proxy) at the Court Meeting(s) representing not less than three-fourths in value of the Shares that are voted by the Independent Shareholders (either in person or by proxy) at the Court Meeting, provided that the Scheme is not disapproved by Independent Shareholders at the Court Meeting holding more than 10% in value of all the Shares held by the Independent Shareholders, in each case by way of poll;
- (ii) the approval of the Scheme by the passing of a special resolution (by way of poll) by Shareholders present and voting (either in person or by proxy) at the EGM;
- (iii) the sanction of the Scheme by the High Court of Hong Kong (with or without modification) and an office copy of the Court Order minutes containing the particulars required by section 166 of the Companies Ordinance are delivered to, and registered by, the Registrar of Companies in Hong Kong;
- (iv) all necessary authorisations, registrations, filings, rulings, consents, permissions and approvals in connection with the Scheme Proposal having been obtained or made from, with or by (as the case may be) the relevant authorities, in Hong Kong and/or any other relevant jurisdictions;
- (v) all necessary authorisations, registrations, filings, rulings, consents, permissions and approvals in connection with the Scheme Proposal remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no requirement having been imposed by any relevant authorities which is not expressly provided for, or is in addition to the requirements expressly provided for, in relevant laws, rules, regulations or codes in connection with the Scheme Proposal or any matters, documents (including circulars) or things relating thereto, in each aforesaid case up to and at the time when the Scheme becomes effective; and
- (vi) all bank and other necessary consents which may be required under any existing contractual obligations of Oxford being obtained.

Smart Extra reserves the right, if thought fit and proper in its sole and absolute discretion, to waive or cause to be waived any or all of the Scheme Conditions set out in (iv) to (vi) above. The Scheme Conditions set out in (i) to (iii) above cannot be waived in any event. All of the above Scheme Conditions will have to be satisfied or waived on or before a date to be determined by Smart Extra and Oxford jointly in their sole and absolute discretion (a further announcement will be made in respect thereof), otherwise the Scheme Proposal and therefore the Scheme will both lapse. An announcement will be made if the Scheme Proposal lapses.

LETTER FROM THE BOARD

The Scheme will automatically lapse, whereupon it will, **on an entirely without recourse whatsoever and howsoever against Oxford and/or Smart Extra and/or any of its and/or their respective agents and/or servants and each and every one of them basis**, become null and void and have no effect and/or further effect, as if it were null, void and of no effect *ab initio*, if the Scheme will not have become effective on or before a date to be determined by either Smart Extra (including its duly authorised agent(s) and/or servant(s)) itself and/or Smart Extra and Oxford together. An announcement will be published in the newspapers in respect of such date.

Scheme of arrangement under section 166 of the Companies Ordinance and Court Meeting(s)

Scheme Shareholders will have already noted the salient terms of the Scheme Proposal from the Announcement, the Offer Document and/or the above sub-section. Scheme Shareholders will also have already noted that formulation of the Scheme cannot be finalised until after the Offer is closed and Smart Extra will have paid for all the duly accepted Shares tendered for acceptance so that the number of Scheme Shares can be ascertained. When the proposed Scheme has been formulated, the first step is an application (either by way of an *ex parte* or *inter partes* Originating Summons pursuant to Order 102, Rule 5(2) of the Rules of the High Court (HK)) to the Court by Oxford for the Court to order meetings, of the members of classes of members, to be summoned (the “first stage”). Such an application, on an *inter partes* basis, will be made by Oxford upon commencement of the proceedings.

When the application is made *ex parte*

The Court will, if the application is made *ex parte*, generally do and will give directions about the length of notice, the method of giving it and the forms of proxy. However, it will not, at this stage, give directions or make any decisions on what is a class for this purpose¹. That is the responsibility of the applicants to determine and it can be a difficult task. The consequences of failing to make a correct determination are serious: the Court may refuse to sanction the Scheme even though all the meetings have approved it by the requisite majority.

If the Court orders meetings, the meetings will be called and the Scheme proposals put to the appropriate meetings. The approval of a majority in number representing three-quarters in value of the members present & voting (the “second stage”) is sufficient for the third stage which is an application to the Court to sanction the arrangement.

The application for the Court’s approval is made by petition of the applicants pursuant to Order 102, Rule 5(1)(h) of the Rules of the High Court (HK) and may be opposed by members and creditors who object to the scheme.

The duty of the Court is two-fold:

1. to see that all necessary or appropriate classes have been recognised and that the resolutions are passed by the statutory majority in value and number at a meeting or meetings duly convened and held; and
2. to see whether the proposal is such that an intelligent and honest man, a member of the class concerned and acting in respect of his interest, might reasonably approve. This is a matter entirely within the discretionary power of the Court.

1. Please refer to the subsection entitled “Classification of members” for more information in this respect.

LETTER FROM THE BOARD

When the application is made *inter partes*

The pros and cons of an application as such may best be described by Lord Millett NPJ in his judgement dated 3rd December, 2001 with the unanimous concurrence of all those on the bench (Chief Justice Li, Mr. Justice Bokhary PJ, Mr. Justice Chan PJ and Mr. Justice Ribeiro PJ) in Final Appeal No. 11 of 2002 (Civil) where Lord Millett NPJ stated at paragraph 14 thereof:

“It might be thought singularly unhelpful to leave the question whether the meetings were correctly convened to the third stage, by which time a wrong decision by the company at the outset will have led to a considerable waste of time and money. But in my opinion the practice is a sound one. The only alternative would be to require the initial application to be made *inter partes* and for notice of the application together with a copy of the Scheme to be given to everyone potentially affected by it, with the risk of incurring the costs of a contested hearing and possible appeals before it could be known whether the Scheme was likely to attract sufficient support in any event. The present practice (i.e. by *ex parte* application) ensures that those advising the company take their responsibility seriously, since an error on their part will be fatal to the Scheme. At the same time it leaves the question, which goes to the jurisdiction of the Court to sanction the Scheme, to be decided at the appropriate time, that is to say when the Court is asked to sanction it. By then the outcome of the meeting or meetings will be known and the question, which will no longer be hypothetical, can be argued between the appropriate parties, that is to say the company on the one hand and those who object to the Scheme on the other.”

Classification of members

Each class of members of Oxford affected by the Scheme must approve the Scheme, and this requires the approval of a majority in number representing 75% in value of those present and voting either in person or by proxy. The responsibility for deciding the appropriate classes rests on Oxford and if the meetings are not correctly convened, the Court will not approve the Scheme, at least in cases where it can be shown that the Scheme would not have received the necessary majority had the meetings been properly constituted.

The definition of a class for these purposes is “those persons whose rights are not so dissimilar as to make it impossible for them to consult together with a view to their common interest”². In *Re Hellenic & General Trust Ltd*³. Templeman J held that a shareholder, which was a wholly-owned subsidiary of the offeror company, holding 53% of the votes, formed a separate class from the rest of the ordinary shareholders for the purpose of an ordinary shareholders’ meeting summoned to approve a scheme.

2. Sovereign Life Insurance Cox Dodd 1802 20B573 at 583, CA, per Downen LJ (holders of matured insurance policies were a different class from holders of unmatured policies). Community of interests is a question of degree: see *Ke Heiun International NV* 1994 BCLC 667.

3. [1975] ALL ER 382. [1976] WLR 123

LETTER FROM THE BOARD

The additional requirements imposed by Rule 2.10 of the Takeovers Code

In addition to satisfying any requirements imposed by law as summarised above, Rule 2.10 of the Takeovers Code requires, unless with the consent of the Executive to dispense with compliance or strict compliance thereof, that the Scheme may only be implemented if:

- (a) the Scheme is approved by at least 75% of the votes attaching to the Disinterested Shares that are cast either in person or by proxy at a duly convened meeting of the holders of the Disinterested Shares; and
- (b) the number of votes cast against the resolution to approve the Scheme at such meeting is not more than 10% of the votes attaching to all Disinterested Shares.

The binding effect when the Scheme is approved

If the Scheme is approved at the meetings by a majority in number, representing three-fourths in value, of its members present and voting in person or by proxy, the Scheme becomes binding on Oxford and all its members, so long as it is sanctioned by the Court.

However, the implementation of such a scheme, sanctioned by the Court as aforesaid, is subject always to compliance or strict compliance with the additional requirements as imposed by Rule 2.10 of the Takeovers Code, unless the Executive consents to dispense therewith. Please see the sub-paragraph immediately above and entitled “**The additional requirements imposed by Rule 2.10 of the Takeovers Code**”.

Smart Extra will be entitled, upon fulfilment of the requirements as set forth at Rule 2.10 of the Takeovers Code or unless otherwise satisfied or waived by the Executive, to exercise the legal rights vested in it, by virtue of the Scheme having been duly approved by members of Oxford at the meetings as aforesaid and sanctioned by the Court, and the order sanctioning the Scheme having taken effect within the meanings as ascribed thereto pursuant to section 166 (3) of the Companies Ordinance, in respect of compulsory acquisition, the full implementation of which will privatise Oxford.

The effect of privatisation is straight forward in that after the Court order sanctioning the Scheme becomes effective, proven holders of the equity share capital of Oxford will receive a sum of HK\$15.00 per Share from Smart Extra whereupon their respective shareholdings in Oxford and/or any interests therein whatsoever and howsoever arising will be extinguished absolutely and thereupon Oxford will become a wholly-owned subsidiary company of Smart Extra.

LETTER FROM THE BOARD

Approval of the Scheme in a meeting of members or any class of members summoned under Section 166 of the Companies Ordinance

Pursuant to section 166 of the Companies Ordinance the Scheme is required to be approved by a majority in number of the Independent Shareholders present and voting (either in person or by proxy) at the Court Meeting(s) representing not less than three-fourths in value of the Shares that are voted by the Independent Shareholders (either in person or by proxy) at the Court Meeting.

Information to Shareholders by way of a statement issued pursuant to section 166A of the Companies Ordinance

Pursuant to section 166A of the Companies Ordinance, where a meeting of members or any class of members is summoned under section 166 of the Companies Ordinance there shall:

- (a) with every notice summoning the meeting which is sent to a member, be sent also a statement explaining the effect of the arrangement and in particular stating any material interests of the directors of Oxford, whether as directors or as members or as creditors of Oxford or otherwise, and the effect thereon of the arrangement, in so far as it is different from the effect on the like interests of other persons; and
- (b) in every notice summoning the meeting which is given by advertisement, be included either such a statement as aforesaid or a notification of the place at which and the manner in which members entitled to attend the meeting may obtain copies of such a statement as aforesaid;

It is further provided in section 166A of the Companies Ordinance that where a notice given by advertisement includes a notification that copies of a statement explaining the effect of the arrangement proposed can be obtained by members entitled to attend the meeting, every such member shall, on making application in the manner indicated by the notice, be furnished by Oxford free of charge with a copy of the statement.

An “Explanatory Statement”, the despatch of which is statutorily required to be sent at the same time as the giving of notice of meeting summoned by the Court, in compliance with the requirements as set forth in section 166 A of the Companies Ordinance, will be despatched to members of Oxford in due course. Shareholders are hereby reminded that an application to Court has yet to be made by Oxford for obtaining an Order in respect of, *inter alia*, summoning the meeting(s). Oxford therefore is not in a position to give notice of any meeting, be these meetings to be summoned by the Court or otherwise.

Oxford will be in a position to give and will therefore give notices of meetings of members or classes of members, as the case may be and as the Court may have directed, and notice of the EGM of its members only after the Court has ordered, *inter alia*, that meetings of members or classes of members, as the case may be, be summoned pursuant to section 166 of the Companies Ordinance.

LETTER FROM THE BOARD

The joint intention of Oxford and Smart Extra to make the application *inter partes*

With a view to ensuring that by the time the Scheme Proposal is put to the appropriate meetings for approval, Shareholders voting thereat will be well aware of the fact that the possibility that a wrong decision in respect of the classification of the members of Oxford for the purposes of the approval of the Scheme herein by the Company at the outset had been removed and that all necessary and/or appropriate classes of members of Oxford had been duly classified in accordance with the legal requirements, Oxford and Smart Extra are of the unanimous view that the application should be made *inter partes*.

Important matters relating to meetings

MADC

MADC, a company duly incorporated and existing under the Laws of Hong Kong with limited liability, is an associated company of Oxford by virtue of Oxford's legal and beneficial ownership in 50% of the entire issued share capital of MADDC. The remaining balance of the entire issued capital of MADDC is and was, at all material times, held by two private companies controlled by Mr. W. Lee (who beneficially owns as to 91% and 51% respectively of the entire issued share capital of the said two private companies). Mr. W. Lee is therefore deemed to be interested in 50% of the entire issued share capital of MADDC of which the said two private companies have the management control.

MADC is interested in 409,400 Shares in the equity share capital of Oxford, representing 0.6% of the entire issued share capital of Oxford and 0.6% of all the voting rights of Oxford. The said shareholdings by MADDC also represent approximately 5.56% of the Disinterested Shares for the purposes of Rule 2.10 of the Takeovers Code.

It is provided in section 166 (2) of the Companies Ordinance, *inter alia*, that if a majority in number representing three-fourths in value of the members or class of members, as the case may be, present and voting either in person or by proxy at the meeting, agree to any arrangement, the arrangement shall, if sanctioned by the Court, be binding on all the members or class of members and also on the company.

By reason of the definition ascribed to "acting in concert" as contained in the chapter entitled "Definitions", which chapter forms part and parcel of the Takeovers Code, MADDC, by reason of the matters hereunder set forth, appears to have been caught by the definition as being a party acting in concert with Smart Extra. Accordingly, votes cast in respect of the Shares held by MADDC as aforesaid in meeting(s) to be summoned in the manner as the Court shall have directed pursuant to section 166 of the Companies Ordinance and any adjournment thereof, if any, in respect of the approval of the Scheme shall not be counted for the purposes of Rule 2.10 of the Takeovers Code.

According to the Register of Members of Oxford as at 29th March, 2003, Oxford appears to have at least 345 Shareholders independent of Mr. W. Lee, Smart Extra and/or parties acting in concert with any one of them. In other words, at least 345 Independent Shareholders are interested, though indirectly, in the said 409,400 Shares in the equity share capital of Oxford held by MADDC.

LETTER FROM THE BOARD

The Board at its meeting held on 10th April, 2003 unanimously resolved that it would not only be prudent but it was also duty bound to make an application to the Executive for a ruling in respect of the above with a view to ensuring that the interests of the Independent Shareholders in the 409,400 Shares of Oxford through MADC will be afforded, in respect of the Scheme and/or the Scheme Proposal herein, the fair treatment identical to the fair treatment for Shareholders who are affected by takeovers, mergers and share repurchases as expressly stated at paragraph 1.2 of the Introduction to the Codes, so that the primary purpose of the Codes as expressly set out in the said paragraph 1.2 is and will be seen to have been implemented.

Oxford duly and promptly informed Smart Extra, through its advisers, of the decision taken by the Board as aforesaid. In response thereto, Smart Extra agreed to give an undertaking and did give in favour of Oxford such an undertaking on terms as set forth in the Announcement (“the Smart Extra Undertaking”). The Smart Extra Undertaking was sought, as well as given, in the utmost good faith with a view to enabling the primary purpose of the Codes as expressly set out in the said paragraph 1.2 to be seen to have been implemented.

Furthermore, with a view to ensuring that the decision by MADC in respect of the Scheme/Scheme Proposal will be impartial and in the best interests of the Independent Shareholders, Oxford has devised a decision making process that MADC has undertaken to adopt in respect of all matters in respect of, in connection with, arising out of and/or otherwise incidental to the Scheme/Scheme Proposal (the “MADC Decision Making Mechanism”). Full particulars of the MADC Decision Making Mechanism will be set forth hereunder.

The terms of the Smart Extra Undertaking as given by Smart Extra in favour of Oxford can be found in the Announcement which we now reproduce hereunder and in bold for easy reference:

“MADC, an associate company of Oxford, is interested in 409,400 Shares, in which each of the William Group and Oxford is respectively interested in 50% of the entire issued share capital. **With a view to fully reflecting the interests of the Disinterested Shareholders in MADC in respect of all matters herein, it has been agreed that the William Group will relinquish absolutely all its voting rights in MADC both in meetings of the members of MADC and of its board of directors in respect of the Offer and the Scheme Proposal and in addition thereto, the William Group and any members thereof will not in any way influence or otherwise affect other members of MADC and its board in respect of his/their decisions as to whether or not to accept the Offer and/or to support the Scheme Proposal.....”**

It was and still is, at all material times herein, the strong view of Oxford that by having the MADC Decision Making Mechanism in place any decision to be taken by MADC in respect of the Scheme/Scheme Proposal must, in the Board’s respectful submission, naturally be independent from Smart Extra in all respects.

The MADC Decision Making Mechanism is a mechanism whereby the decision of MADC whether to support, oppose or remain neutral in respect of the Scheme and/or the Scheme Proposal would rest entirely on the decision of the Independent Board Committee established by Oxford, with reference to the Independent Financial Advisers’ advice, so that any decision to be taken for any matters in respect of the Scheme/Scheme Proposal, and thus any vote that will be cast pursuant thereto, shall be truly independent and therefore the interests of the Independent Shareholders of Oxford will be reflected and safeguarded.

LETTER FROM THE BOARD

Please be reminded that the independence of each of the members of the Independent Board Committee as well as the Independent Financial Advisers has already been confirmed with the Executive in all respects in connection with the matter of independence for the purposes of advising the Independent Shareholders on the fairness and reasonableness of the respective terms of the Offer as well as the Scheme/Scheme Proposal.

Accordingly, the risk, if any, that MADC will join or vote together with Smart Extra, W. Lee and/or parties acting in concert with either one of them in respect of the Scheme/Scheme Proposal will be negligible, if not nil.

To enable the primary purpose of the Codes as expressly set out in the said paragraph 1.2 of the Introduction to the Codes to be seen to have been implemented, application has been made by Oxford to the Executive for the ruling(s) hereunder set forth.

The ruling being sought:

1. MADC is and was, at all material times hereto, not a party acting in concert with Smart Extra within the meanings as ascribed to “acting in concert” as contained in the chapter entitled “Definitions”, which chapter forms part and parcel of the Takeovers Codes.

In the premises, equity share capital in Oxford being held by MADC, namely, 409,400 Shares, forms and will continue to form part and parcel of the “Disinterested Share(s)” as defined in Note 6 to Rule 2.10 of the Takeovers Code;

2. If MADC was a party acting in concert with Smart Extra, which is denied, MADC has ceased to be a party acting in concert with Smart Extra for the purposes of the matters herein.

In the premises, equity share capital in Oxford being held by MADC, namely, 409,400 Shares, forms and will continue to form part and parcel of the “Disinterested Share(s)” as defined in Note 6 to Rule 2.10 of the Takeovers Code; and

3. Should the Executive not rule in favour of Oxford on 1 and 2 above, it is and will be fair and reasonable in all the circumstances of the case herein that compliance in conformity with Rule 2.10 be waived *in toto* in respect of the equity share capital of Oxford held by MADC.

In the premises, equity share capital in Oxford being held by MADC, namely, 409,400 Shares, will and will continue to form part and parcel of the “Disinterested Share(s)” as defined in Note 6 to Rule 2.10 of the Takeovers Code for the purposes of the Scheme and/or Scheme Proposal herein.

Unless, therefore, the Executive rules in favour of Oxford in respect of its application as aforesaid, votes cast in respect of the Shares held by MADC as aforesaid in meeting(s) to be summoned in the manner as the Court shall have directed pursuant to section 166 of the Companies Ordinance and any adjournment thereof, if any, in respect of the approval of the Scheme shall not be counted for the purposes of Rule 2.10 of the Takeovers Code.

LETTER FROM THE BOARD

The ruling of the Executive in respect of MADC

By a letter of 16th July, 2003 addressed to Oxford, the Executive informed Oxford that he has ruled against the said application of Oxford in respect of MADC on the grounds that Oxford had failed to provide any conclusive or compelling evidence to prove that MADC in fact operates entirely independently from Smart Extra.

Whilst the Board considers that Oxford has merit in respect of its application as aforesaid, the Board, however, has taken the decision on balance not to appeal against the said ruling of the Executive in order not to cause any delay or further delay to the publication and despatch of the Composite Document.

Notwithstanding that the Executive has ruled against the said application of Oxford as aforesaid and accordingly, votes cast in respect of the Shares held by MADC as aforesaid in meeting(s) to be summoned in the manner as the Court shall have directed pursuant to section 166 of the Companies Ordinance and any adjournment thereof, if any, in respect of the approval of the Scheme, shall not be counted for the purposes of Rule 2.10 of the Takeovers Code:

- (a) the William Group has confirmed that it will relinquish absolutely all its voting rights in MADC both in meetings of the members of MADC and of its board of directors in respect of the Offer and the Scheme Proposal (and therefore the Scheme) and in addition thereto, the William Group and any members thereof will not in any way influence or otherwise affect other members of MADC and its board in respect of his/their decisions as to whether or not to accept the Offer and/or to support the Scheme Proposal; and
- (b) MADC has confirmed that its undertaking to adopt the MADC Decision Making Mechanism in respect of all matters in respect of, in connection with, arising out of and/or otherwise incidental to the Offer and to the Scheme Proposal/Scheme will not in any way be affected by the said ruling of the Executive and accordingly, the MADC Decision Making Mechanism will be implemented as undertaken as aforesaid.

LETTER FROM THE BOARD

Member of Oxford

“Member” is defined in section 28 of the Companies Ordinance as follows:

“Definition of member”

- (1) The subscribers of the memorandum of a company shall be deemed to have agreed to become members of the company, and on its registration shall be entered as members in its register of members.
- (2) Every other person who agrees to become a member of a company, and whose name is entered in its register of members, shall be a member of the company.

Scheme Shareholders should already be fully aware that the meetings of members or class meetings of members of Oxford to be summoned, in the manner as the Court shall have directed pursuant to section 166 of the Companies Ordinance and any adjournment thereof, if any, in respect of the approval of the Scheme, shall be meetings of members or meetings of classes of members of Oxford (either in person or by proxy). **Scheme Shareholders of Oxford are therefore hereby urged to have their names entered in Oxford’s Register of Members as soon as possible so as to enable Oxford and its legal advisers to properly classify members of Oxford.**

Reasons for not giving notice of meetings in respect of class meetings of members of Oxford to be summoned by the Court and the EGM to approve the privatisation of Oxford by way of the Scheme formulated in accordance with the Scheme Proposal herewith

By reason of the disagreement between Smart Extra and Oxford on the due execution in respect of the Smart Extra Indemnity Undertaking dated 22nd May, 2003 purportedly delivered by Smart Extra to Oxford on 22nd May, 2003, Oxford had been rendered unable to put the request as initiated by Smart Extra to the Board for final consideration.

Notwithstanding the disagreement aforesaid, the Board, nevertheless, resolved at its meeting held on Tuesday, 10th June, 2003, inter alia, to agree, subject to Shareholders’ approval in a general meeting, to the privatisation of Oxford by way of the Scheme Proposal as it appeared to be beneficial to Oxford and its Shareholders as a whole, but subject always to an undertaking that Smart Extra would not abort or otherwise discontinue and/or withdraw the Scheme Proposal without Oxford’s prior consent in writing. The Board further resolved to accede to the request of Smart Extra to put forward the Scheme Proposal to Shareholders, but subject always to Smart Extra giving an irrevocable Smart Extra Indemnity Undertaking, and such undertaking being duly executed. In the light of Senior Counsel’s written advice then tabled, the Board further resolved to reject the purported Smart Extra Indemnity Undertaking dated 22nd May, 2003 on the grounds that due execution of the same, in particular in the light of the Memorandum and Articles of Association of Smart Extra, was questionable.

By a letter dated 11th June, 2003, Oxford informed Smart Extra of the resolutions of the Board on 10th June, 2003 as aforesaid.

LETTER FROM THE BOARD

By a letter dated 13th June, 2003, Oxford, with a view to avoiding further delay, gave notice to Smart Extra that unless the conditions precedent to Oxford's agreeing to the privatisation of Oxford by way of the Scheme Proposal and to putting forward the Scheme Proposal to Shareholders as requested would have been fully and promptly performed by Smart Extra or caused to be fully and promptly performed by Smart Extra by noon on Tuesday, the 17th June, 2003, namely, the receipt by Oxford of the Smart Extra Indemnity Undertaking and of the Smart Extra Scheme Undertaking, Oxford would take it that both Oxford's offer to agree to the privatisation of Oxford by way of the Scheme Proposal and also the request as initiated by Smart Extra on 6th May, 2003 to Oxford to put forward a proposal to Shareholders in respect of the privatisation of Oxford by way of a scheme of arrangement under section 166 of the Companies Ordinance would have been withdrawn respectively by the party making or initiating it without further notice.

By a letter dated 13th June, 2003, from the legal advisers to Smart Extra to Oxford, Smart Extra has responded to the said notice given by Oxford as aforesaid. Sent under cover of the said letter was a new Smart Extra Indemnity Undertaking, in a form acceptable to Oxford, dated 13th June, 2003, duly executed and attested, in replacement of the purported Smart Extra Indemnity Undertaking dated 22nd May, 2003.

On or about 17th June, 2003, Oxford received from Smart Extra the Smart Extra Scheme Undertaking, duly signed, and dated 17th June, 2003.

By reason of the delay caused as aforesaid and the time spent in resolving the concerns of the Executive as hereafter briefly set forth, Oxford was rendered unable to engage legal advisers to advise on matters in respect of a scheme of arrangement under section 166 of the Companies Ordinance as early as it would have hoped. With a view to enabling the matters herein to move forward most expeditiously in the circumstances, and in particular in the light of the agreed resolution to put the concerns of the Executive to rest, Oxford has therefore been rendered unable to give any notices of meeting herewith but will give such notice(s) separately as soon as practicable.

RELEVANT INFORMATION both in respect of THE OFFER AND THE INTENDED PRIVATISATION

INFORMATION RELATING TO THE GROUP

(Information contained in this section is largely a digest of the relevant section(s) of Oxford's annual report for the year ended 31st January, 2003.

**Views expressed by Oxford hereunder, if any,
are formed by Oxford in reliance upon
such information as aforesaid)**

Results and dividends for the year ended 31st January, 2003

The audited consolidated net profit after taxation and minority interests for the financial year ended 31st January, 2003 amounted to approximately HK\$27 million.

An interim dividend of HK\$0.08 per Share was paid on 12th December, 2002. In view of an announcement issued by Smart Extra dated 21st May, 2003 in relation to the Offer and the Scheme Proposal, the Board did not recommend any final dividend to be approved by Shareholders at the forthcoming annual general meeting. At the Annual General Meeting of Oxford held on 3rd July, 2003, no final dividend was, therefore, proposed for approval by Shareholders.

LETTER FROM THE BOARD

Operations of Oxford

The principal activities of the Group continue to be investment holding, property investment, property development and the provision of property agency services. The Group's activities during the year were substantially based in Hong Kong and more than 90% of the Group's turnover and profit from operations were derived from the lease of properties in Hong Kong.

The Group has a total of 23 (2002: 23) staff.

Finance activities

Shareholders' funds at 31st January, 2003 amounted to HK\$773 million (31st January, 2002: HK\$951 million). At 31st January, 2003, total borrowings of the Group were HK\$119 million (2002: HK\$138 million) which bear interest at floating rates and are substantially repayable in Hong Kong dollars. Bank borrowings to the extent of HK\$38 million (2002: HK\$33 million) were repayable within one year. The Group's gearing ratio at 31st January, 2003 was 15.40% (2002: 14.50%). The Group's available undrawn bank facilities at 31st January, 2003 amounted to HK\$63 million (2002: HK\$63 million).

At 31st January, 2003, properties of the Group with an aggregate book value of approximately HK\$659 million (2002: HK\$823 million) were mortgaged or charged to banks for credit facilities granted to the Group.

At 31st January, 2003, Oxford had issued guarantees for banking facilities granted to certain subsidiaries to secure the banking facilities granted to these subsidiaries to the extent of HK\$281 million (2002: HK\$281 million) of which approximately HK\$110 million (2002: HK\$128 million) was utilised.

Investment properties, other properties and other fixed assets

For the purposes of its annual results ended 31st January, 2003, the Group revalued all of its investment properties at that date. The decrease on revaluation, adjusted for minority interests, which has been debited directly to the investment property revaluation reserve, amounted to HK\$183,312,359.

For the convenience of Shareholders, a summary of the valuations by DTZ Debenham Tie Leung Limited and Micronesian Appraisal Associates, Inc. respectively, of Oxford's landed properties both in Hong Kong and in Guam, U.S.A., is set out in tabular form at page 138 of this Composite Document. Where the valuations are expressed in US dollars, the exchange rate for conversion to HK dollars is US\$1.00 = HK\$7.80.

Directors' interests in Shares

As at 31st January, 2003, Mr. W. Lee personally had beneficial interests in 33,000 Shares. In addition, Mr. W. Lee, through two private companies controlled by him, was also beneficially interested in 25,000 shares in MADC, representing 50% of its issued share capital. MADC is a 50% owned associate of the Group which beneficially held 421,400 Shares (MADC held 409,400 Shares at the Announcement Date).

LETTER FROM THE BOARD

During the period from 31st March, 2003 to 11th April, 2003 (both dates inclusive), Smart Extra, a company wholly owned by Mr. W. Lee, acquired the Shares held personally by Mr. W. Lee and other Shares. As a result of these acquisitions and acceptances of the Offer up to and including the Latest Practicable Date, Smart Extra holds 60,456,796 Shares together with, inter alia, the voting rights attached thereto in aggregate, representing approximately 89.23% of the Shares in issue and approximately 89.23% of the voting rights of Oxford as at the date hereof.

Save as disclosed above and except for shares in subsidiaries held by directors in trust for their immediate holding companies, at the Latest Practicable Date, none of the directors nor their associates had any interests in any securities of Oxford or any of its associated corporations as defined in the SFO, and none of the directors nor their spouses or children under the age of 18 had any right to subscribe for the securities of Oxford, or had exercised any such right during the year ended 31st January, 2003 and/or up to and including the Latest Practicable Date. In any event, these matters will not be the concerns of Shareholders after the privatisation.

Management Contracts

No contracts of significance concerning the management and administration of the whole or any substantial part of the business of the Company or any of its subsidiaries were entered into, and in which a director of Oxford has a material interest, whether directly or indirectly, during the year or subsisted at the end of the year ended 31st January, 2003 and up to and including the Latest Practicable Date. In any event, these matters will not be the concerns of Shareholders after the privatisation.

Substantial Shareholders

In the light of the matters disclosed under the paragraph entitled “Directors’ Interests in Shares” above, Mr. W. Lee has by the Latest Practicable Date become, through his interest in Smart Extra, the controlling Shareholder of the Company, holding in aggregate approximately 89.23% of the issued share capital of the Company.

Independent investigation

To deal with the allegations of certain Shareholders of the Company that the properties of the Company in Guam (“Guam Properties”) had been incorrectly classified in the accounts of the Company and their values understated, the Board, having consulted the Executive Director of the Enforcement Division of the SFC regarding the terms of reference for the investigation of the said allegations and relying upon which a number of independent accountant firms was invited to tender for the appointment to undertake such investigation as therein defined, on the recommendation of the *ad hoc* Special Committee set up therefor, appointed HLB Hodgson Impey Cheng (the “Independent Accountants”), a firm of Independent Accountants, to review and report to the Board of Directors as to whether the nature, value, classification and rental income of the Guam Properties had been properly reflected in the audited accounts of the Company for the financial years ended 31st January, 1998, 1999, 2000, 2001 and 2002.

LETTER FROM THE BOARD

On 23rd April, 2003, the Independent Accountants submitted an Executive Summary together with their report, both in respect of their findings on the matters as aforesaid. Copies of the Executive Summary together with the full report were duly submitted to both the SFC and the Stock Exchange upon receipt. A copy of the said Executive Summary is reproduced hereto as Appendix IV, with the consent of the Independent Accountants.

Summary of findings of the Report of the Independent Accountants

The Independent Accountants concluded that there was no substance in the said allegations or any one thereof or at all. The said allegations are:

- that certain of the Guam Properties had not been independently valued and their true value had not been reflected in the accounts of Oxford.
- that certain Guam properties had been rented out but the rental income generated therefrom was not recorded in the accounts of Oxford.
- that a hotel was built on one of the Guam Properties and was subsequently disposed of by Oxford the sales of which were not recorded in the accounts of Oxford.
- that certain Guam properties had been misclassified due to incorrect descriptions of their respective usage.
- that one of the Guam Properties had been occupied by two stalls with a vacant office above, and a hotel; and further that the hotel had been sold but the sale had not been recorded in the books of Oxford.
- that one of the Guam Properties had been incorrectly classified and that the property had been let as a business park but that no rental had been recorded in the books of Oxford.
- that one of the Guam Properties was not a vacant lot but that it had offices and shops thereon and was thus incorrectly classified, and it was questionable as to whether rental income had been properly recorded in the books of Oxford.

INFORMATION ON SMART EXTRA
(Information contained in this section is largely a digest
of the relevant section(s) of the Offer Document.
Views expressed by Oxford hereunder, if any,
are formed by Oxford in reliance upon
such information as aforesaid)

Constitution of Smart Extra

Smart Extra is a company incorporated in the British Virgin Islands with limited liability whose sole director is also the legal and beneficial owner of the entire issued share capital of Smart Extra.

Mr. W. Lee, aged 48, has over 15 years of experience in corporate management and investment. He has been a director of Oxford since November 1978.

LETTER FROM THE BOARD

Reasons for making the Offer and the Scheme Proposal

Smart Extra is aware of the complaints which have been made from time to time by certain Shareholders of Oxford, in respect of the comparatively thin liquidity of the Shares in the last year. Under the auspices of the Stock Exchange, Oxford has made a number of attempts and/or arrangements¹ with a view to improving the public float of the Shares in an orderly manner through the facilities of the Stock Exchange and in this respect, reference is made to Oxford's announcement published in the newspapers dated 25th October, 2002. Notwithstanding the fact that implementation of the said arrangements was on a daily and continuous basis from 25th October, 2002 to the close of business on the Pre-Announcement Date, trading of the Shares continued to be thin, with an average daily trading volume of 10,700 Shares, representing approximately 0.016% of the entire issued equity share capital of Oxford, for the six months immediately prior to and including the Pre-Announcement Date. Having taken into consideration the aforesaid and the general market sentiment toward companies in similar, if not identical, lines of business as those of Oxford, and whose shares are listed in the Stock Exchange, and coupled with the fact that there is no clear prospect of improvement in the trading volume thereof in the foreseeable future, or otherwise, or at all, Smart Extra was and still is apprehensive of the situation as such. In the circumstances, Smart Extra was, and still is, of the view that it would be opportune to put forward a motion to Shareholders for their consideration to privatise Oxford, as it considered and still considers such to be beneficial to Shareholders.

Intentions regarding Oxford and its employees

It is not the intention of Smart Extra to cause significant changes, if any, to Oxford's existing businesses or to cause diversification of the same, including redeployment of the fixed assets of Oxford, following its privatisation.

It is the intention of Smart Extra that there should be no significant changes in the continued employment of the employees of the Group following the successful privatisation of Oxford.

The Board has noted Smart Extra's reasons, for making the Offer and the Scheme Proposal, with which it is in agreement with Smart Extra. In the light of such reasons, the Board is of the view that there should be no significant changes both in respect of Oxford's existing businesses or the continued employment of the employees of the Group as indicated by Smart Extra as aforesaid. In any event, these matters will not be the concerns of Shareholders after the privatisation.

Response of the Board with respect to the reasons for making the Offer and Scheme Proposal

The Board considers that Smart Extra's reasons to privatise the Company by making the Offer and the Scheme Proposal are valid and acceptable. The Board also concurs with Smart Extra that the making of the Offer and/or putting the Scheme Proposal forward for consideration, if thought fit and approved, would be beneficial to the Company and its Shareholders as a whole by reason of the fact that the Board agrees with Smart Extra that an opportunity would thereby be created for Shareholders to make an informed decision as to whether or not to realise their respective investment in Oxford.

1. Please see 2(a)(iii) of Appendix III hereto in respect of the number of Shares thereby sold and the respective prices thereof.

LETTER FROM THE BOARD

The Board would draw Shareholders' attention to the advice both from the Independent Board Committee and the Independent Financial Advisers. Both sets of advice form part of this document.

IMPORTANT NOTICE

(Information contained in this section is a digest of the relevant section(s) of the Offer Document. Views expressed by Oxford hereunder, if any, are formed by Oxford in reliance upon such information as aforesaid)

Any Shareholders who have tendered their Shares for acceptance under the Offer before the closure of the Register of either the EGM or any of the Court Meetings (if more than one), whichever is the earlier, will not be regarded as a holder of the equity share capital of Oxford for the purposes of the Scheme and/or the Scheme Proposal and accordingly they will not be entitled to attend and/or vote (either in person or by proxy) at any of the Court Meeting(s) and the EGM. Furthermore, such Shareholders will have disqualified themselves from availing themselves of the Scheme and will accordingly not be eligible to avail themselves of taking/accepting any payment to be paid or made under the Scheme.

Shareholders are therefore hereby reminded to particularly note the qualifying requirements for participation in the Scheme before any decision is taken to tender their acceptance of the Offer, should they so wish.

Caution is hereby re-iterated to Shareholders and prospective investors that the success or failure of the Scheme Proposal is dependent, *inter alia*, upon:

- (a) compliance/fulfilment in conformity with the requirements as set forth in sections 166, 166A and/or 167 of the Companies Ordinance, unless otherwise satisfied or waived;
- (b) compliance/fulfilment in conformity with Rule 2.10 of the Takeovers Code, unless otherwise satisfied or waived;
- (c) the terms and conditions as modified and/or otherwise imposed by the Court, if any, being acceptable to and accepted by Smart Extra; and
- (d) compliance/fulfilment in conformity with all other terms and conditions, whether conditions precedent or subsequent, unless otherwise satisfied or waived.

If the Scheme will not have become effective on or before a date to be determined by either Smart Extra (including its duly authorised agent(s) and/or servants(s)) itself and/or Smart Extra and Oxford together, the Scheme will automatically lapse whereupon it will, on an entirely without recourse whatsoever and howsoever against Oxford and/or Smart Extra and/or any of its and/or their respective agents and/or servants and each and every one of them basis, become null and void and have no effect and/or further effect, as if it were null, void and of no effect *ab initio*.

LETTER FROM THE BOARD

STATEMENTS OF THE STOCK EXCHANGE IN RESPECT OF RULE 8.08 OF THE LISTING RULES

Shareholders should note that should Smart Extra fail to privatise Oxford for whatsoever and howsoever reasons, there will be insufficient public float in the Shares as required under Rule 8.08 of the Listing Rules. In the light of the fact that Smart Extra was holding approximately 89.23% of the equity share capital of the Company as at the Latest Practicable Date, the Stock Exchange has stated that it may, upon failure of Smart Extra to privatise Oxford, suspend the trading of the Shares on the Stock Exchange until after viable arrangements are made and implemented, so that a sufficient level of public float will have been attained. In this respect, Oxford understands that Smart Extra has undertaken to the Stock Exchange that it will take appropriate steps to restore the minimum percentage of Shares which are in the hands of the public to 25% (based on the market capitalisation of the Company as at the relevant time) (or such other percentage as the Listing Rules may stipulate from time to time) prior to the resumption of trading of the Shares after the Company applies for suspension of trading of the same, in the event that Smart Extra is unable to privatise the Company by way of the proposed Scheme. Shareholders should therefore note that Smart Extra may or may not be able to swiftly make and implement any viable arrangement, or at all, for the purpose as aforesaid and this may result in Shareholders not being able to use the trading facilities of the Stock Exchange as and when dealing in the Shares. Shareholders should also note the possible adverse impact on the Share price of Oxford arising out of the implementation of any arrangement that will have to be made to ensure the attainment of a sufficient level of public float and in this respect reference is hereby made to Oxford's announcement dated 25th October, 2002 whereby Oxford announced the arrangements that it had made and the continuous implementation thereof with a view to increasing the public float in respect of its shares ("the Arrangements"). By reason of the Acquisition and of the Offer, the Arrangements have lapsed.

The Stock Exchange has further stated that if the Company remains a listed company, the Stock Exchange will closely monitor all future acquisitions or disposals of assets by the Company. Any acquisitions or disposals of assets by the Company will be subject to the provisions of the Listing Rules. Pursuant to the Listing Rules, the Stock Exchange has discretion to require the Company to issue an announcement and a circular to its Shareholders irrespective of the size of the proposed acquisitions and disposals of assets by the Company, particularly where such proposed acquisitions and disposals of assets by the Company represent a departure from the principal activities of the Company. The Stock Exchange has the power pursuant to the Listing Rules to aggregate a series of acquisitions and disposals of assets by the Company and any such acquisitions and disposals of assets may result in the Company being treated as if it were a new listing applicant and subject to the requirements for new listing applications as set out in the Listing Rules.

FURTHER REASONS FOR THE DELAY IN DESPATCH OF THE COMPOSITE DOCUMENT

Subsequent to the despatch of the Offer Document, the Executive expressed concerns, on 27th June, 2003, about the Offer and the Scheme Proposal being regarded by Smart Extra as separate and distinct from each other. The Executive took the view that Smart Extra therefore might have acted in breach of General Principle 1 of the General Principles, which are essentially statements of good standards of conduct to be observed in takeovers, mergers or share repurchases and which form part and parcel of the Takeovers Code, and of Rule 31.1 of the Takeovers Code.

LETTER FROM THE BOARD

In response to the said concerns of the Executive, Smart Extra and Oxford duly made their respective written submissions to the Executive.

It was not until in or around mid-August 2003 that Smart Extra and Oxford were able to put all such concerns to rest, including but without limitation to Rules 31.1 and 31.3 of the Takeovers Code and General Principles 1, 5 and 7, as the Executive might have had at the time. It was unanimously agreed that the Offer should be closed prior to the making of an application to the Court for, *inter alia*, an order confirming the classification of members of the Company, as proposed by the Company and as may be modified by the Court, and for an order for the summoning of the meetings of the members as classified for the purposes of putting forward the Scheme as formulated pursuant to the Scheme Proposal, and for the appointment of a chairman of the meetings who is to report to the Court in respect of the meetings ordered to be summoned and held. It was further agreed that the Offer should be closed 14 days following the despatch of the Scheme Document in respect of the Scheme Proposal herein. As a result of the matters aforesaid, such Scheme Document would not contain and/or be accompanied by, *inter alia*: (1) any Notices of Meeting, be they Court Meetings, EGM or otherwise; (2) a timetable, whether expected or otherwise, in respect the said meetings; and (3) the Explanatory Statement as stipulated under section 166 A of the Companies Ordinance.

In the light of the above and having consulted the Executive, Oxford concluded that it would be expedient in the circumstances to issue a Composite Document as opposed to the issuance of the Offeree and Scheme Documents separately. The deadline, as already extended, applicable to the issuance and despatch of the Offeree Document alone was 4th September, 2003.

The above is intended to give Shareholders a brief account of the time taken in clarifying the genuine concerns of the Executive.

Yours faithfully,
for and on behalf of the board of directors of
Oxford Properties & Finance Limited
Michael Seto Chak Wah
Chairman

OXFORD PROPERTIES & FINANCE LIMITED

晉利地產金融有限公司

(incorporated in Hong Kong with limited liability)

3rd October, 2003

To the Independent Shareholders

Dear Sir or Madam,

UNCONDITIONAL CASH OFFER
by
BARON CAPITAL LIMITED
and
KIM ENG SECURITIES (HONG KONG) LIMITED
on behalf of
SMART EXTRA HOLDINGS LIMITED
TO ACQUIRE ALL THE ISSUED SHARES IN OXFORD,
other than those already owned by Smart Extra
AND THE INTENDED PRIVATISATION OF OXFORD
by
SMART EXTRA
BY WAY OF A SCHEME OF ARRANGEMENT
Under Section 166 of Companies Ordinance

The Board of Oxford has appointed us, the Independent non-Executive and non-Executive directors of Oxford, to be members of the Independent Board Committee, two of whom are or have been practicing solicitors in Hong Kong, one is a practicing accountant and the Chairman is a former senior Hong Kong Government administrator.

The Independent Board Committee has been established to consider and advise Shareholders as to the merits or otherwise of the Offer, the Offer in the light of the Scheme Proposal, and the Scheme Proposal, and especially as to whether Shareholders should accept the Offer and/or vote for or against the resolutions to be proposed at the Court Meeting(s) and the EGM to be convened thereafter in respect of the Scheme Proposal. The Independent Board Committee has been advised by its Independent Financial Advisers, Shenyin Wanguo Capital (HK) Limited, both in respect of the Offer and the Scheme Proposal. Shenyin Wanguo's Letter to the Independent Board Committee is included in this Composite Document at pages 38 to 61.

Your attention is drawn to the Letter from the Board which is set out on pages 8 to 34 of this Composite Document, and to the Offer Document and the form of acceptance and transfer accompanying it containing, *inter alia*, the terms of the Offer and of the Scheme Proposal, which were despatched to Shareholders on 17 June 2003.

Terms in the Composite Document shall bear the same meanings when used herein unless the context requires otherwise.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into consideration, *inter alia*, the advice of Shenyin Wanguo, the Independent Board Committee accepts the advice of Shenyin Wanguo that, bearing in mind that for most of the six months period prior to the Announcement Date, the Offer Price of HK\$9.00 per Share was at a premium to the prevailing market prices of the Shares, the Offer Price is fair and reasonable. The acceptance of this Offer, therefore, would give Shareholders a genuine, unconditional and risk free opportunity to realise their investments in Oxford at a fair and reasonable price.

The Scheme Proposal, with a Cancellation Price of HK\$15.00 per Share, is substantially more attractive than the Offer (being HK\$6.00 per Share more than the Offer, representing a premium of about 66.67% over the Offer Price). The Offer, therefore, when seen in the light of the Scheme Proposal, may not appear to be overly attractive, particularly so since the uplifting of the suspension from trading in the Shares with effect from 8 September 2003, when the Shares have been traded in the region of HK\$13.00 to HK\$14.00, although on a very small turnover. However, we agree with Shenyin Wanguo that the recent rise in the price of the Shares on the market reflects the terms of the Offer and particularly the Scheme Proposal. Shareholders considering disposing of their Shares through the market will receive a substantial premium to the Offer Price of HK\$9.00 per Share but a discount, representing a recognition of the risks, referred to below, associated with the Scheme Proposal, to the Cancellation Price of HK\$15.00 per Share.

We agree with Shenyin Wanguo that the Cancellation Price of HK\$15.00 (which represents a premium of about 31.58% over the audited consolidated net asset value per Share as at 31 January 2003 and a premium of about 29.65% over the unaudited adjusted net tangible assets value per Share as at 30 June 2003) is fair and reasonable. However, it should be borne in mind that the implementation of the Scheme Proposal is subject to the fulfillment of a number of pre-conditions, the particulars of which are set out at pages 17 to 21 of this Composite Document.

We have reviewed these pre-conditions and have come to the conclusion that most, if not all, of these have been mandated by the laws (common, statutory or otherwise) applicable to the implementation of a scheme of arrangement, and/or the Takeovers Code. To the best of our knowledge, information and belief such pre-conditions are not uncommon, nor unusual when they appertain to a scheme of arrangement proposed under section 166 of Companies Ordinance. We are therefore of the unanimous view that the pre-conditions as imposed are fair and reasonable in all the circumstances. In any event, the fact that Smart Extra: (a) has agreed to pay all legal, professional and other expenses incidental to the submission and implementation of the Scheme Proposal; and (b) has already deposited in an escrow account with its legal representatives sufficient funds to implement the Scheme Proposal in the event the same is sanctioned both by the members of Oxford and by the Court, demonstrate in our opinion, an honest and *bona fide* intention on the part of Smart Extra to proceed with the Scheme Proposal with due diligence and despatch.

Shareholders who opt to support the Scheme Proposal and therefore wish it to be successfully implemented, should consider taking a pro-active stance in this matter as of all the pre-conditions referred to above, the support of the Scheme Proposal by members of Oxford would be of paramount importance. Accordingly, all such Shareholders are hereby advised that they should: (a) register as a member of Oxford; (b) attend all meetings summoned by the Court, and the EGM; and (c) vote their Shares at these meetings in favour and support of the Scheme Proposal.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Shareholders should note, however, that in the event that the Scheme Proposal fails to materialise, the Shares might remain suspended from trading until such time as the Stock Exchange is satisfied that there is sufficient public float, if at all. As a result, those Shareholders who do not accept the Offer might have their investment locked into a company whose shares would be illiquid, for what could be a long time, should the Scheme Proposal fail to be implemented.

Shareholders are urged to consider both the Offer and the Scheme Proposal most carefully, and seek independent financial advice wherever possible, before taking a decision.

Shareholders will have noted from the Board Letter at pages 8 to 34 of this Composite Document, that the Independent Board Committee has been tasked with the responsibility of deciding, on behalf of the shareholders and directors of MADC, on whether to accept or reject the Offer or to vote for the Scheme Proposal in respect of those Shares which MADC is holding. In order to ensure the independence of the Independent Board Committee in these matters, the MADC Decision Making Mechanism has been established. The MADC Decision Making Mechanism is intended to ensure that no director of MADC will vote nor any director or shareholder of MADC influence the decision of the Independent Board Committee in this regard.

The Independent Board Committee has taken the independent advice rendered by the Independent Financial Advisers, whose advice should, in any event, be objective, unbiased and impersonal in regard to the fairness and reasonableness of the respective terms and conditions of the Offer as well as the Scheme Proposal. Accordingly, the Independent Board Committee has decided, insofar as the MADC Shares are concerned, not to accept the Offer and accordingly to vote for the Scheme Proposal in accordance with the advice of the Independent Financial Advisers.

Yours faithfully,
for and on behalf of
the Independent Board Committee

Clive William Oxley

Alfred Cheung Tze Fat

Lai Man Leung

Lau Hak Lap

LETTER FROM SHENYIN WANGUO

The following is the text of a letter received from the Independent Financial Advisers setting out its opinion to the Independent Board Committee in respect of the Offer and the Scheme for inclusion in this Composite Document.



Shenyin Wanguo Capital (H.K.) Limited

28th Floor, Citibank Tower

Citibank Plaza

3 Garden Road

Hong Kong

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

3rd October, 2003

Dear Sirs,

**MANDATORY UNCONDITIONAL CASH OFFER
AND INTENDED PRIVATISATION BY WAY OF
A SCHEME OF ARRANGEMENT**

INTRODUCTION

We refer to our engagement by the Company as independent financial advisers to advise the Independent Board Committee in respect of the Offer and the Scheme, details of which are contained in the Offer Document and the letter from the Board as set out on page 8 to page 34 of the Composite Document of which this letter forms part. Terms used in this letter shall bear the same meanings as defined in the Composite Document unless the context otherwise requires. This letter contains our advice to the Independent Board Committee.

Mr. William Lee Teh Yee, an executive Director who has been receiving salary from the Company and/or its subsidiaries, is the sole director and the sole beneficiary owner of Smart Extra and is presumed to be acting in concert with Smart Extra under the Takeovers Code. The remaining executive Directors, Messrs. Seto Chak Wah, Robert Kiang Chee Man, Wong Shu Yuen are salaried employees of the Group. Therefore, none of the above executive Directors is considered to be independent under the Takeovers Code in respect of the Offer and the Scheme whilst the remaining four Directors, Messrs. Lai Man Leung and Clive William Oxley, being the non-executive Directors, and Messrs. Alfred Cheung Tze Fat and Lau

LETTER FROM SHENYIN WANGUO

Hak Lap, being the independent non-executive Directors, have been appointed by the Board as the Independent Board Committee to consider the Offer and the Scheme, and to make recommendations to the Independent Shareholders regarding the Offer and the Scheme.

BASIS OF OUR OPINION

Our role as the independent financial advisers to the Independent Board Committee is to express our opinion on whether the terms of the Offer and the Scheme are fair and reasonable in so far as the Independent Shareholders are concerned. In formulating our recommendations, we have relied on the accuracy of the information and representations contained in the Composite Document which have been provided to us by the Directors and have also assumed that all information and representations made or referred to in the Composite Document were true and correct in all respects at the time when they were made and continued to be true and correct in all respects as at the date of despatch of the Composite Document. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Composite Document are reasonably made after due and careful enquiry and are based on honestly held opinions. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and have been advised by the Directors that no material facts have been omitted from the information and representations provided in and referred to in the Composite Document. We consider that we have reviewed sufficient information to reach an informed view and to justify our reliance on the accuracy of the information and representations contained in the Composite Document and to provide a reasonable basis for our advice. We have not, however, carried out any independent verification of the information provided by the Directors, nor have we conducted an independent in-depth investigation into the business and affairs or the future prospects of Group.

In the following discussion, we shall set out our opinion on the terms of the Offer and the Scheme and our recommendations to the Independent Board Committee thereon.

BACKGROUND INFORMATION OF THE OFFER

During the period from 31st March, 2003 to 11th April, 2003 (both dates inclusive), Smart Extra completed the Acquisition. By virtue of the Acquisition, Smart Extra held 60,406,692 Shares together with, inter alia, the voting rights attached thereto, representing approximately 89.15% of the Shares in issue and approximately 89.15% of the voting rights of Oxford.

In accordance with the requirements of Rule 26 of the Takeovers Code, Baron Capital and Kim Eng Securities, as agents for and on behalf of Smart Extra, are jointly extending to the Independent Shareholders an unconditional offer for all the issued Shares (other than those shares already owned by Smart Extra) subject to the terms set out in the Composite Document and the accompanying form of acceptance and transfer on the following basis :

For each Share HK\$9.00 in cash

LETTER FROM SHENYIN WANGUO

PRINCIPAL FACTORS CONSIDERED IN RELATION TO THE OFFER

In arriving at our advice with respect to the terms of the Offer, we have taken into account the following principal factors:

1. Property market outlook

Hong Kong

Hong Kong had recorded a continuous GDP (“Gross Domestic Product”) growth of around 5% per annum for a decade before its handover to the PRC in July 1997. Since the Asian financial crisis, however, the economy of Hong Kong turned sluggish. After the outbreak of war in Iraq and severe acute respiratory syndrome (“SARS”) at the beginning of 2003, the pace of recovery of the Hong Kong economy was further slowed down and unemployment rate reached a record high of 8.7% in the month of July. We set out below key economic indicators of Hong Kong from 2000:

	2000	2001	2002	2003
Real GDP growth (year-on-year % change) (at 2000 market prices)	10.2	0.5	2.3	2.0 [#]
Seasonally adjusted composite consumer price index (year-on-year % change)	-3.8	-1.6	-3.0	-4.0
Unemployment rate (%)	4.9	5.1	7.3	8.7 [*]
Fiscal surplus/(deficit) (HK\$’ billion)	10	-6	-66	-70 [#]

[#] Forecast for 2003

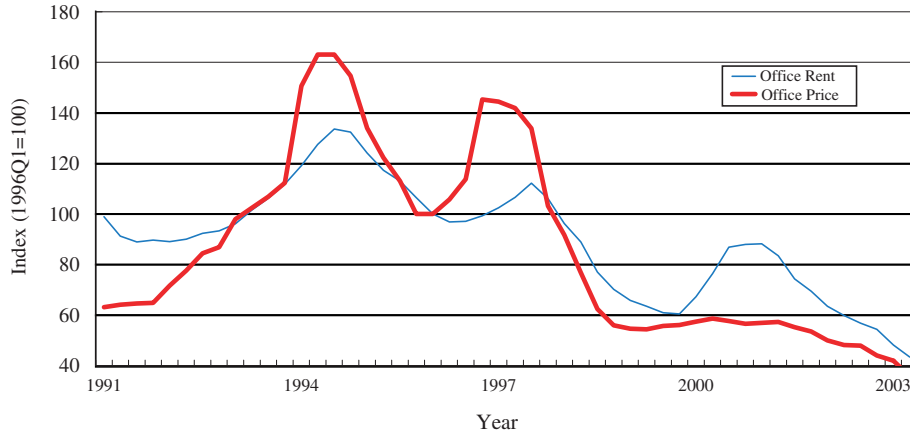
^{*} Provisional unemployment rate in July 2003

Source: *The Government of the Hong Kong Special Administration Region (“HKSAR”)*

As shown above, the real GDP growth decreased from 10.2% in 2000 to an estimate of 2.0% in 2003, whilst the year-on-year percentage change of consumer price index in July 2003 was estimated at -4.0%. In the past few years, HKSAR recorded huge fiscal deficits. Although the HKSAR has implemented certain policies to revive the economy of Hong Kong, it remains to be seen how such policies would bring about a general recovery of the economy and the property market of Hong Kong.

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Property market in Hong Kong has also entered into a period of sluggish demand. The value of office and rental income have shown a downward adjustment since 1997. Set out below is an index regarding office rent and price in Hong Kong prepared by DTZ Debenam Tie Leung Limited (“DTZ”):

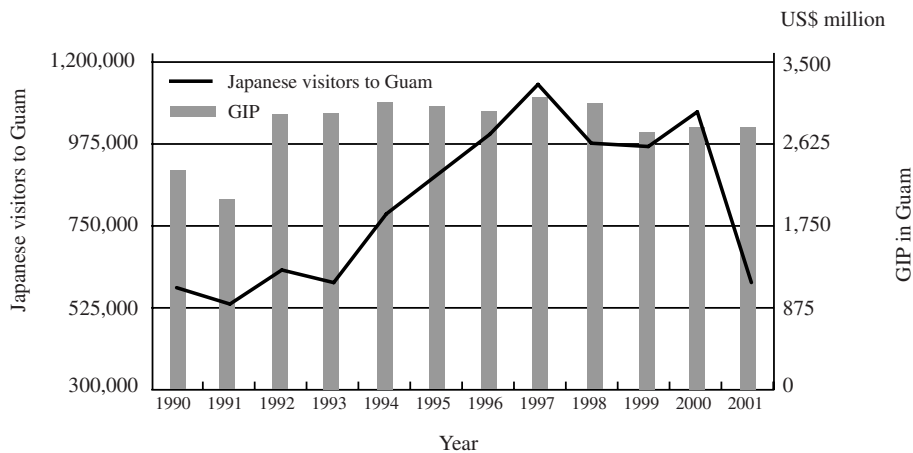


Source: DTZ

According to the research report of DTZ, there have been signs of rising demand for office space in 2003. The overall office market appears to be positive as companies have been setting up regional offices in Hong Kong. However, office vacancy is expected to be in double-digits as office space supply keeps increasing. We concurred with DTZ’s view that high vacancies for existing office buildings and new supply of office space continue to exert downward pressure on rents in Hong Kong. Despite the economic conditions are bottoming out for the moment, there has been no signs of turnaround of the property market in Hong Kong in the short to the medium term.

Guam, U.S.A.

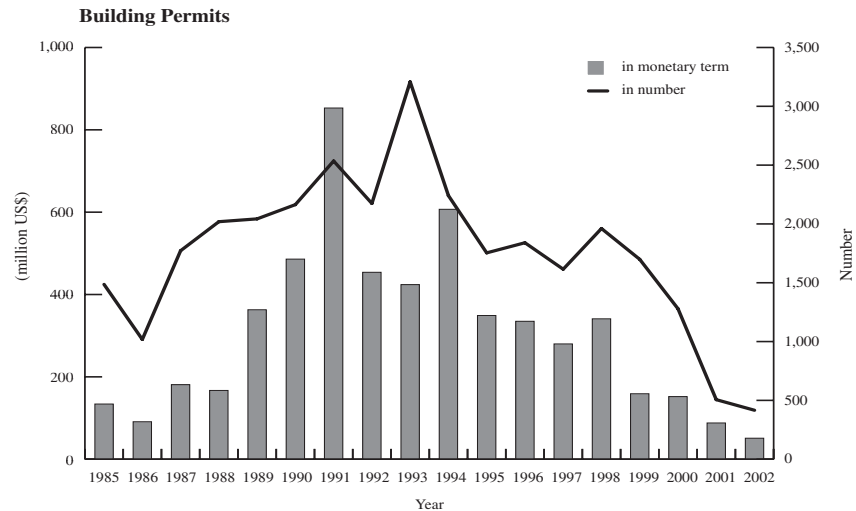
Tourism plays an important role in Guam’s economy, which is a comparatively small economy with GIP (“Gross Island Product”) of less than US\$3,000 million and a population of less than 200,000. Fueled by investments and tourists from Japan, Guam enjoyed an economic boom in the past decades. Similar to Hong Kong, Guam has experienced a negative GIP growth since 1997, accompanied by a decrease of visitor arrivals in the same period. The graph below illustrates considerable correlation between GIP in Guam and visitors from Japan:



Source: Department of Commerce and Guam Visitors Bureau

LETTER FROM SHENYIN WANGUO

Property market in Guam has been adversely affected inevitably. A building permit from the government of Guam is required before any property construction works commence. We set out below the issuance of building permits (both in monetary term and number) in Guam from 1985 to 2002:



Source: Government of Guam: Department of Commerce, Annual Economic Reviews; Department of Public Works, Annual Building Permit Statistics

The issuance of building permits in Guam showed a downward trend, indicating a diminishing demand for new buildings in the past decade. Building permits issued in 2002 represented less than one-tenth of its peak in 1991, evidencing the current unfavourable property market condition in Guam. Given the continuous economic depression in Japan which has adversely affected tourism in Guam indirectly, improvement of the Guam's economy as well as its property market remains uncertain in the short to the medium term.

In accordance with Appendix II of the Composite Document, the carrying value of the Group's commercial properties in Hong Kong accounts for approximately 80% of the total carrying value of properties located in Hong Kong. The carrying value of the Group's assets located in Hong Kong and Guam, as stated in its annual audit report for the financial year ended 31st January, 2003, were HK\$978.2 million and HK\$75.3 million respectively. The Group's properties in Hong Kong are mainly office buildings held for leasing.

LETTER FROM SHENYIN WANGUO

2. Financial performance of the Group

The principal activities of the Group are investment holding, property investment, property development and the provision of property management services. The Group's activities are based in Hong Kong and more than 90% of the Group's turnover and profit from operations have been derived from the lease of residential and commercial properties in Hong Kong. As aforementioned, 80% of the Group's properties in Hong Kong are commercial properties. The following table summarises the Group's audited consolidated profit and loss account for the three years ended 31st January, 2003:

	Year ended 31st January,		
	2003	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	<u>67,715</u>	<u>75,552</u>	<u>75,213</u>
Operating results before impairment loss and finance costs	43,344	56,417	58,148
Impairment loss	<u>(2,896)</u>	<u>(58,000)</u>	<u>–</u>
Operating results before finance costs	40,448	(1,583)	58,148
Finance costs	<u>(4,998)</u>	<u>(8,903)</u>	<u>(17,464)</u>
Operating profit/(loss)	<u>35,450</u>	<u>(10,486)</u>	<u>40,684</u>
Profit/(loss) before minority interests	30,352	(15,749)	35,075
Minority interests	<u>(2,943)</u>	<u>4,559</u>	<u>(2,694)</u>
Profit/(loss) attributable to Shareholders	<u>27,409</u>	<u>(11,190)</u>	<u>32,381</u>

For the year ended 31st January, 2002

In line with the classification in the audited annual report of the Company, details of the revenue analysis by business segment for the financial year ended 31st January, 2002 (with the figures for the financial year ended 31st January, 2001 included for comparison purposes) are set out below:

	Property investment		Property development		Other operations		Total	
	<i>(note 1)</i>		<i>(note 2)</i>					
	2002	2001	2002	2001	2002	2001	2002	2001
	<i>HK\$'000</i>		<i>HK\$'000</i>		<i>HK\$'000</i>		<i>HK\$'000</i>	
Segment revenue	72,133	71,739	–	–	3,419	3,474	75,552	75,213
Segment results	55,093	53,959	(58,000)	–	2,984	2,995	77*	56,954*
Operating margin	76.4%	75.2%	n/a	–	87.3%	86.2%	0.1%	75.7%

LETTER FROM SHENYIN WANGUO

Note 1: Property investment business is equivalent to property letting business in the annual audited report of the Company.

Note 2: Property development business is equivalent to land investment business in the annual audited report of the Company.

* Operating profit/loss of the Group is arrived at after adjusting for unallocated expenses and income.

Property investment business

Property investment business of the Group refers to the lease of properties located in Hong Kong and in Guam. Rental income and operating profit derived from the properties of the Group recorded a slight increase of 0.5% and 2.1% respectively in the year ended 31st January, 2002 due to an increase of occupancy in Jubilee Centre Phase I and Phase II in Hong Kong in the first half of 2001.

Property development business

Due to uncertain economic conditions, the Group has not commenced any property development project since the completion of Jubilee Centre Phase II in Hong Kong in 2000. Micronesian Appraisal Associates, Inc. (“Micronesian”) and DTZ, the independent properties valuers, have conducted independent valuations as at 31st January, 2002 for the properties of the Group in Guam and Hong Kong respectively, in order to arrive at market values of the Group’s properties as at 31st January, 2002. With reference to the independent valuations, the Group made an impairment loss amounting to HK\$71.6 million against 5 properties of the Group in Guam, namely the Group’s land at (1) Lot B Dandan, Inarajan Guam Estate No.16, Suburban; (2) Lot No. 2029-New-R2, Dededo, Guam Estate, No. 20069, Suburban; (3) Lot No. 2144-1B-5, Socio, Dedeco, Guam Estate, No. 22636, Suburban; (4) Lot No. 3368-R1, Siunajana and (5) Lot No.450-1, Agat. Out of the impairment loss of HK\$71.6 million, HK\$58.0 million had been charged to the income statement whilst the remaining HK\$13.6 million was dealt with in reserves or as an adjustment against minority interests. Such impairment loss and the corresponding accounting treatment were recognised under the requirement of a revised accounting standard promulgated by Hong Kong Society of Accountants in January 2001.

As advised by the Directors, independent valuations of properties other than those mentioned above exceeded their carrying values as at 31st January, 2002 and thus no impairment loss was recognised for such other properties.

As stated in its audited annual report, it is the Company’s accounting policy that certain of its properties (i.e. the undeveloped land in Guam) were stated at revalued amounts prior to 30th September, 1995, pursuant to the transitional relief provided by the abovementioned accounting standard. As such, the impairment loss recognised in the audited annual report may not be sufficient to reflect market values of all the Group’s properties as at 31st January, 2002. However, in order to obtain the latest market values of all the Group’s properties, a revaluation for all the properties of the Group as at 31st July, 2003 has been carried out and the corresponding financial impact is detailed in Appendix I to the Composite Document.

All pieces of undeveloped land had been held by the Group for future development as at the Latest Practicable Date.

LETTER FROM SHENYIN WANGUO

Other operations

Income derived from other operations mainly represents rental income from a residential property in Hong Kong which was held for sale. Such income decreased slightly by 1.6% in the year ended 31st January, 2002 due to an increase of vacancy in the property in the first half of 2001. The operating margin from other operations has been arrived at after deducting property management expenses and adding dividend income from listed share investments of the Group.

On the whole, although the Group maintained its level of turnover, it recorded a loss from operations of approximately HK\$10.5 million, as compared to a profit from operations of approximately HK\$40.7 million in the year ended 31st January, 2001, as a result of a charge of HK\$58 million for impairment loss on properties for its property development business.

For the year ended 31st January, 2003

Details of the revenue analysis by business segment for the financial year ended 31st January, 2003 (with the figures for the financial year ended 31st January, 2002 included for comparison purposes) are set out below:

	Property investment		Property development		Other operations		Total	
	2003	2002	2003	2002	2003	2002	2003	2002
	<i>HK\$'000</i>		<i>HK\$'000</i>		<i>HK\$'000</i>		<i>HK\$'000</i>	
Segment revenue	65,453	72,133	–	–	2,262	3,419	67,715	75,552
Segment results	51,108	55,093	(2,896)	(58,000)	1,915	2,984	50,127*	77*
Operating margin	78.1%	76.4%	n/a	n/a	84.7%	87.3%	74.0%	0.1%

* Operating profit/loss of the Group is arrived at after adjusting for unallocated expenses and income.

Property investment business

The occurrence of the 911 event in the second half of 2001 and the continuous economic recession in Hong Kong and in Guam adversely affected the rental markets in which the Group operated. In order to keep existing tenants, the Group offered a slight reduction in rental at renewal. As a result, revenue and operating profit from property investment business decreased by 9.3% and 7.2% respectively for the year ended 31st January, 2003.

Property development business

The Group did not commence any property development project in Hong Kong and in Guam during the year due to the prolonged adverse economic conditions in the regions. With reference to the independent valuations conducted by Micronesia and DTZ on the properties of the Group in Guam and Hong Kong respectively as at 31st January, 2003, the Group recorded impairment loss of approximately HK\$2.9 million against 2 properties of the Group in Guam, namely the Group's land at (1) Lot No. 2144-

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1A-2, Socio, Dederó, Guam Estate, Suburban and (2) 2144-1B-5, Socio, Dederó Guam Estate, Suburban, in order to arrive at market values of the Group's properties as at 31st January, 2003. The impairment loss was charged to the income statement. These pieces of undeveloped land had been held by the Group for future development as at the Latest Practicable Date.

As advised by the Directors, independent valuations of properties other than those mentioned above exceeded their carrying values as at 31st January, 2003 and thus no impairment loss was recognised for such other properties.

As discussed previously, certain properties of the Group (i.e. the undeveloped land in Guam) were stated at revalued amounts prior to 30th September, 1995. As such, the impairment loss recognised in the audited annual report may not be sufficient to reflect market values of all the Group's properties as at 31st January, 2003. However, in order to obtain the latest market values of all the Group's properties, a revaluation for all the properties of the Group as at 31st July, 2003 has been carried out and the corresponding financial impact on the Group is detailed in Appendix I to the Composite Document.

As referred to in the Company's announcement dated 9th October, 2002, the Company was in preliminary negotiations with an independent third party with a view to forming a joint venture to develop/redevelop in stages some or all of the Company's properties in Guam. The preliminary negotiations were put in temporary abeyance principally as a result of the 'mega-typhoon' which hit Guam in December 2002 and which caused extensive damage to the infrastructure as well as to properties in Guam, including two of the Group's properties in Guam. Repair works on the Group's damaged properties, which had been covered by insurance policies, were in progress. The after effects of the typhoon on business activity in Guam have been similarly devastating. The risks which war might bring to Guam where a major US Pacific military base is located was also a factor. As advised by the Directors, there were no substantial developments of negotiations and no agreed timetable as to when to reopen negotiations between the Company and the aforementioned independent third party in respect of the development/redevelopment as at the Latest Practicable Date.

Other operations

The rental income derived from the property in Hong Kong decreased by 33.8% in the year ended 31st January, 2003, due to an decrease of occupancy rate of a residential property of the Group in Hong Kong from 69% as at 31st January, 2002 to 50% as at 31st January, 2003. Such decrease in rental income contributed principally to the deterioration in operating margin.

On the whole, for the financial year ended 31st January, 2003, we note that the Group experienced a decline of 10.4% in turnover due to falling rental income. In respect of its property development activities, the Group took another charge of impairment loss of approximately HK\$2.9 million for its properties held for development in Guam in order to reflect its market values as at 31st January, 2003.

3. Future prospects of the Group

During the past three financial years ended 31st January, 2001, 2002 and 2003, the Group recorded impairment losses in accordance with a revised accounting standard promulgated in January 2001 for certain pieces of undeveloped land in Guam in the amount of approximately HK\$74.5 million in aggregate,

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of which HK\$60.9 million had been charged to the profit and loss accounts and the remaining HK\$13.6 million had been dealt with in reserves or as an adjustment against minority interests. At the same time, the Group took steps to reduce its finance costs by repaying part of its bank borrowings. As a result, the finance costs were reduced from approximately HK\$17.5 million in 2001 to approximately HK\$5.0 million in 2003. The operating profits of the Group, before charging for such impairment losses and finance costs, would have been approximately HK\$58.1 million, HK\$56.4 million and HK\$43.3 million respectively for those years. Such results are, in our view, in line with the worsening of the economy and the property market of Hong Kong and Guam. The financial performance of the Group is thus closely linked to the conditions of the property markets in Hong Kong and Guam and there is no assurance that further charge for impairment loss on properties will not be incurred in future.

As referred to the annual report of the Company for 2003, the Directors are conservative about the short-term business environment in Hong Kong where more than 90% of the Group's turnover and profit from operations are generated. The property market in Hong Kong remained unimproved due to the outbreak of SARS in the first half of 2003. The Directors expect the economy of Hong Kong and Guam will continue to be depressed for the short to the medium term. As a result, the property development projects in both Hong Kong and in Guam have been put on hold. Cautious business strategy will continue to be adopted by the Group to identify new investment opportunities in Hong Kong and elsewhere.

Smart Extra has indicated in the Offer Document that it intends to maintain the existing businesses of the Group and does not intend to introduce any major changes in the business, including any redeployment of the fixed assets of the Group, upon completion of the Offer and/or the Scheme Proposal. It is also the intention of Smart Extra that there will be no significant change in the continued employment of the employees of the Group as a result of the completion of the Offer and/or the Scheme Proposal. In the absence of any information in addition to the above, we do not foresee any change or synergy or benefits to be brought to the Group's businesses in the near future upon the completion of the Offer and/or the Scheme Proposal.

As discussed, the Group will remain focused on its existing businesses in future. In light of the uncertain economic conditions and property market sentiment in Hong Kong and Guam as discussed in the previous section, we concur with the view of the Directors that the outlook of the business of the Group would remain uncertain in the foreseeable future, which may further adversely affect the Group's overall financial performance. According to the audited consolidated balance sheet as at 31st January, 2003, the Group had a bank and cash balance of approximately HK\$72.8 million and secured bank loans of HK\$37.8 million and HK\$54.3 million that are falling due within the two financial years ending 31st January, 2004 and 2005 respectively. Besides, there were unclaimed dividends of HK\$43.0 million as at 31st January, 2003 (2001: HK\$25.5 million and 2002: HK\$31.7 million) payable to certain shareholders. Therefore, if the Group is to pursue its property development projects in the medium term without disposing of any of its existing properties, it might have to raise funding for the development by way of bank borrowings which would result in an increase in finance costs. The Group's performance may be adversely affected for such period of time until the projects are ready for sale. Accordingly, we are of the opinion that the Independent Shareholders should consider liquidating their shareholdings in the Company to enable them to reinvest in other investments with better prospects.

LETTER FROM SHENYIN WANGUO

4. Net tangible assets value of the Group

As at 31st January, 2003, the audited consolidated net tangible assets value of the Group was HK\$772.6 million. Based on 67,760,000 Shares in issue, this represents an audited consolidated net tangible assets value per Share of approximately HK\$11.40.

To better reflect the current value of its portfolio of properties, the Company has engaged independent surveyors to revalue all the properties held by itself, its subsidiaries and associate companies in Hong Kong and Guam as at 31st July, 2003. The net revaluation surplus, after being adjusted for attributable taxation, amounted to HK\$6.10 million. Your attention is drawn to the valuation reports set out in Appendix II to the Composite Document. After adjustment for the revaluation surplus as aforementioned, the proforma adjusted net tangible assets of the Group would have been approximately HK\$778.7 million as at 31st January, 2003, representing an unaudited adjusted net tangible assets value per Share of approximately HK\$11.49 as at 31st January, 2003. Reference is made to the proforma statement of adjusted net tangible assets of the Group set out on page 90 of Appendix I to the Composite Document.

The Offer Price represents a 21.05% discount to the audited consolidated net tangible assets value per Share of approximately HK\$11.40 as at 31st January, 2003 and 21.67% discount to the unaudited adjusted net tangible assets value per Share of approximately HK\$11.49 as at 31st January, 2003.

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In assessing the reasonableness of the Offer Price relative to the net tangible assets value per Share, we have reference to the eleven general offer and privatisation cases since 2001 in relation to companies listed on the Stock Exchange whose businesses include investment holding, property investment or property development (the “Comparable Offers”). We have chosen premium/discount to net tangible assets value as a valuation methodology as this is commonly accepted by the market as an appropriate benchmark for valuing property companies in general. Set out below is a table of the Comparable Offers for the purposes of comparison in terms of offer price to net tangible assets value per share:

Proposed date of Comparable Offer	Company name	Market capitalization as at the date of announcement of general offer <i>HK\$'million</i>	Offer price/ Cancellation price <i>(Note 5)</i> <i>(HK\$)</i>	Net tangible assets value per share <i>(Note 5)</i> <i>(HK\$)</i>	Premium/(Discount) of offer price/ cancellation price to net tangible assets value per share
January, 2001	Huey Tai International Limited	360	0.22	0.13	65.41%
January, 2001	Asean Resources Holdings Limited	901	0.70	3.19	(78.08)%
February, 2001	The Mingly Corporation Ltd.	2,260	0.70	1.05	(33.27)%
March, 2001	Concord Land Development Company Ltd.	1,436	1.40	6.33	(77.88)%
October, 2001	Evergo China Holdings Ltd.	346	0.18	0.82	(78.05)%
October, 2001	Dong Jian Tech.Com Holdings Limited <i>(Note 1)</i>	112	0.37	0.63	(41.37)%
January, 2002	Kowloon Development Co. Ltd.	1,717	3.58	6.34	(45.53)%
September, 2002	Ryoden Development Ltd.	867	0.80	1.12	(28.57)%
December, 2002	Henderson Investment Limited <i>(Note 2)</i>	20,426	7.60	10.50	(27.76)%
January, 2003	Realty Development Corporation Limited	2,637	3.20	3.94	(18.78)%
June, 2003	Kerry Properties Limited <i>(Note 2)</i>	7,023	9.50	15.77	(39.76)%
Arithmetic average of Comparable Offers					(36.70)%
The Offer			9.00	11.40 <i>(Note 3)</i>	(21.05)%
			9.00	11.49 <i>(Note 4)</i>	(21.67)%

LETTER FROM SHENYIN WANGUO

- Note 1:* Currently named as Shimao China Holdings Limited.
- Note 2:* The scheme proposals in respect of which are disapproved at court meeting.
- Note 3:* Audited consolidated net tangible assets value per Share as at 31st January, 2003
- Note 4:* Unaudited adjusted net tangible assets value per Share as at 31st January, 2003
- Note 5:* Rounded up to two decimal places

All Comparable Offers show a range from a premium of 65.41% to a discount of 78.08% and an average discount of 36.70% to the net tangible assets value per share. The 21.05% discount of the Offer Price to the audited consolidated net tangible assets value per Share as at 31st January, 2003 lies in the upper range of discounts shown in the Comparable Offers. Although such Comparable Offers were carried out under different economic environments, we consider that the 21.05% discount of the Offer Price to the audited consolidated net tangible assets value per Share as at 31st January, 2003 and 21.67% discount to the unaudited adjusted net tangible assets value per Share as at 31st January, 2003 to be acceptable as compared to the range of premium/discount and the average referred to in the above table. Hence, we are of the view that the Offer Price is fair and reasonable in so far as the Independent Shareholders are concerned.

5. Share price performance

The following table sets out the monthly highest and lowest trading prices of the Shares and the monthly average closing prices of the Shares for the First Review Period (from 2nd April, 2002 up to the Pre-Announcement Date) and the Second Review Period (from 1st April, 2003, when the trading of the Shares on the Stock Exchange resumed, up to the Latest Practicable Date).

	Highest trading price HK\$	Lowest trading price HK\$	Average closing price HK\$
First Review Period			
April 2002	23.9	19.0	21.6
May 2002	18.6	12.0	13.7
June 2002	15.4	14.0	14.6
July 2002	14.4	13.6	13.9
August 2002 (trading suspended from 2nd August)	13.6	13.6	13.6
September 2002 (trading suspended)	–	–	–
October 2002 (trading suspended until 27th October)	14.2	7.8	9.5
November 2002	8.6	5.9	7.3
December 2002	10.0	6.3	7.1
January 2003	8.45	7.4	7.9
February 2003	8.9	7.3	8.3
March 2003	9.4	8.8	8.9
Second Review Period			
April 2003 (trading suspended)	–	–	–
May 2003 (trading suspended)	–	–	–
June 2003 (trading suspended)	–	–	–
July 2003 (trading suspended)	–	–	–
August 2003 (trading suspended)	–	–	–
September 2003 (trading suspended until 7th September)	14.00	13.00	13.55

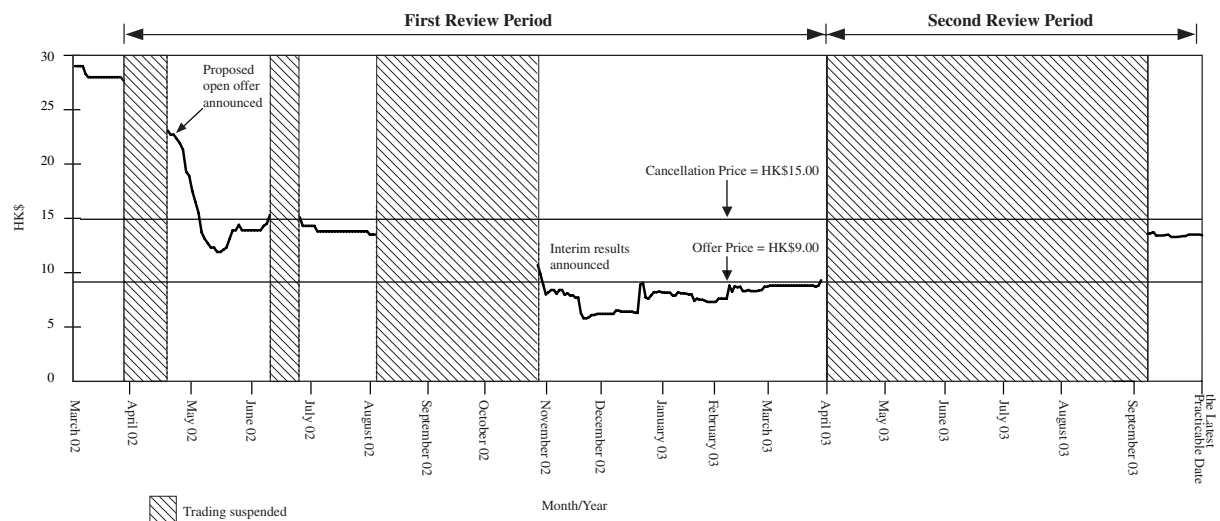
LETTER FROM SHENYIN WANGUO

The highest and lowest trading prices per Share during the First Review Period were HK\$23.9 (on 19th April, 2002) and HK\$5.9 (on both 20th and 21st November, 2002) respectively. The Offer Price of HK\$9.00 per Share represents a discount of approximately 62.3% to such highest trading price per Share and a premium of approximately 52.5% over such lowest trading price per Share.

The Offer Price of HK\$9.00 per Share also represents:

- a discount of approximately 4.26% to the closing price per Share of HK\$9.40 on the Pre-Announcement Date;
- a premium of approximately 1.01% over the average closing price per Share of approximately HK\$8.91 for the 1-month period prior to and including the Pre-Announcement Date;
- a premium of approximately 12.78% over the average closing price per Share of approximately HK\$7.98 per Share for the 6-month period prior to and including the Pre-Announcement Date;
- a discount of approximately 14.69% to the average closing price per Share of approximately HK\$10.55 per Share for the 12-month period prior to and including the Pre-Announcement Date; and
- a discount of approximately 33.82% to the closing price of HK\$13.60 per Share on the Latest Practicable Date.

The graph below illustrates the daily closing price per Share quoted on the Stock Exchange from 1st March, 2002 up to the Latest Practicable Date (both dates inclusive):



The Shares were traded at around HK\$23.9 at the beginning of the First Review Period, which was comparable to its closing price of HK\$27.8 on 27th March, 2002, being the last trading day before trading had been suspended, representing a price earning ratio of 50 based on the results of the Group for the financial year ended 31st January, 2001. The Shares were traded in a downward pattern during the

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First Review Period reflecting possibly the financial performance of the Group for the year ended 31st January, 2002 and the interim results for the six months ended 31st July, 2002. Particularly, after the proposed open offer at a subscription price of HK\$8.0 was announced on 18th April, 2002, the Share price plunged by 49.8% from the highest price of HK\$23.9 in April 2002 to the lowest price of HK\$12.0 in May 2002. On 28th October, 2002, the interim results of the Group for the six months ended 31st July, 2002 was published, in which the Directors had anticipated that the property market and the economic conditions in Hong Kong would weaken further for the rest of the financial year ended 31st January, 2003 and that a recovery would take place in the first half of 2004. The Directors were also of the view that the economy of Guam would still be adversely affected by the U.S. “911” calamity and the recession there was expected to last for a further one or two years. The Share price further plunged by 42.6% from HK\$13.60 prior to the suspension of trading on 2nd August, 2002 to the lowest price of HK\$7.80 during the 4-day period after trading resumed on 28th October, 2002. Due to the uncertain business environment as stated in the interim results, the Share price dropped further to the lowest price of HK\$5.9 in November 2002. Set out below are the major events of Oxford during the period from 18th April, 2002 to 28th October, 2002:

Date of event	Particulars
18th April, 2002	Proposed open offer to independent qualifying shareholders at a subscription price of HK\$8.0
1st August, 2002	The resolution for the open offer had not been approved by the Independent Shareholders at the extraordinary general meeting of the Company
2nd August, 2002	Trading of the Shares was suspended at the direction of the Stock Exchange pending arrangements to be made by the Company to increase the Company’s public float and a concrete proposal to be submitted by the Company to further increase its public float as the Company’s proposed open offer was not approved on 1st August, 2002.
3rd September, 2002	Appointment of Mr. Seto Chak Wah, Michael as an executive Director and Messrs. Clive William Oxley and Lai Man Leung as non-executive Directors of the Company.
9th October, 2002	<ol style="list-style-type: none">1. The Company was in preliminary negotiations with a potential joint venture partner to jointly develop/redevelop some or all of the Company’s properties in Guam.2. Mr. Seto Chak Wah, Michael was appointed chairman of the Company.3. An independent accounting firm was appointed to assist a special committee comprising Messrs Seto Chak Wah, Michael, Clive William Oxley and Lai Man Leung to deal with, among others, issues raised in a report dated 25th April, 2001 regarding an inspection made under section 33 of the Securities (Disclosure of Interests) Ordinance.

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- 25th October, 2002 Announcement was made by the Company that trading of the Shares would be resumed on 28th October, 2002 subject to certain conditions and that the following arrangements had been made:
1. MADC had sold 90,000 Shares to an independent third party at HK\$6.00 per Share;
 2. MADC signed an agreement with a securities house to sell 443,400 Shares to independent third parties through the facilities of the Stock Exchange at the then prevailing market price once the Shares resumed trading; and
 3. Two other shareholders signed agreements with a securities house to dispose of 12,113,882 Shares in aggregate through the facilities of the Stock Exchange on a best efforts basis at the then prevailing market price to independent third parties.
- 28th October, 2002 1. Interim results for the six months ended 31st July, 2002 was published.
2. Trading of the Shares resumed.

The Company also made announcements on 19th November, 2002, 20th November, 2002, 19th December, 2002 and 20th December, 2002 in respect of exceptional price and turnover movements but no further discloseable events of the Company were announced. During those two months, the Share price continued its downward trend but gradually recovered thereafter.

In assessing the fairness and reasonableness of the Offer Price, we consider the Share price performance within the 6 month period preceding the Pre-Announcement Date would be most relevant as that would have reflected the latest corporate developments and financial position of the Company, including notably the alleged lack of public float, which we understand the Company has denied rigorously, to meet the requirements of the Listing Rules in order for the Company to maintain its listing status. Therefore, as the Offer Price is at a premium to the prevailing market prices of the Shares for most of the 6 month period preceding the Pre-Announcement Date, we are of the view that the Offer Price is fair and reasonable.

The Share price showed a considerable increase of approximately 48.9% to HK\$14.0 on 8th September, 2003, which was likely to be caused by the announcement of the Cancellation Price of HK\$15.00. During the Second Review Period, price of the Shares ranged from HK\$13.00 to HK\$14.00, representing a premium of 44.4% and 55.6% over the Offer Price respectively. As at the Latest Practicable Date, the closing price was HK\$13.6, representing a premium of 51.1% over the Offer Price. In our opinion, the recent rise reflects the terms of the Scheme Proposal.

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6. Trading volume

The following table sets out the total number of Shares traded per month and the percentage of the monthly trading volume to the issued share capital of the Company for the First Review Period and the Second Review Period:

	Monthly trading volume of Shares	Monthly trading volume to issued Shares
First Review Period		
April 2002	11,080	0.016%
May 2002	36,018	0.053%
June 2002	14,308	0.021%
July 2002	10,012	0.015%
August 2002 (trading suspended from 2nd August)	–	n/a
September 2002 (trading suspended)	–	n/a
October 2002 (trading suspended until 27th October)	562,200	0.830%
November 2002	194,000	0.286%
December 2002	238,000	0.351%
January 2003	44,000	0.065%
February 2003	68,000	0.100%
March 2003	28,000	0.041%
Second Review Period		
April 2003 (trading suspended)	–	n/a
May 2003 (trading suspended)	–	n/a
June 2003 (trading suspended)	–	n/a
July 2003 (trading suspended)	–	n/a
August 2003 (trading suspended)	–	n/a
September 2003 (trading suspended until 7th September)	128,814	0.190%

The monthly trading volume of the Shares during the First Review Period was very thin, with the highest monthly trading volume recorded in October 2002, representing approximately 0.830% of the issued share capital of the Company. The trading volume during the period from 28th October, 2002 to 31st December, 2002 was significantly higher than other periods of the year, which could possibly have been triggered by the disposal of Shares pursuant to the agreements as mentioned in the Company's announcement dated 25th October, 2002 for the purposes of increasing the level of public float. The turnover dropped substantially from January 2003 onwards until the trading of the Shares was suspended on 1st April, 2003. Trading of the Shares resumed on 8th September, 2003. During the Second Review Period, trading of Shares was illiquid and the average daily trading volume of the Shares (calculated on the basis of the actual trading days) remained at 8,051 Shares which represents approximately 0.012% of the issued share capital of the Company.

Based on the trading volume over the last year as a whole and the Second Review Period, we consider that the trading of the Shares is very illiquid. In fact, it is expressly stated on page 12 of the

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Offer Document under the paragraph headed “Reasons for the making of the Offer and the Scheme Proposal” that Smart Extra is aware of the complaints which have been made from time to time by certain Shareholders in respect of, amongst others, the comparatively thin liquidity of the Shares. Oxford, at the request of the Stock Exchange, has made a number of attempts and/or arrangements with a view to improving the public float of the Shares in an orderly manner. In that connection, reference is made to our discussion on Share price performance concerning several major events of the Company during the month of October in 2002 appearing on pages 52 and 53 of this Composite Document. However, notwithstanding the fact that implementation of the said arrangements had been on a daily and continuous basis from 25th October, 2002 to the close of business on the Pre-Announcement Date, trading of the Shares continued to be thin. As advised by the Directors, a total of 166,000 shares had been disposed of by MADC and another shareholder prior to the suspension of trading on 1st April, 2003 pursuant to the disposal arrangements mentioned in the announcement of the Company dated 25th October, 2002. In these circumstances, Smart Extra was and still is of the view that it would be beneficial to Shareholders to have an opportunity to realise their investment in Oxford by extending the Offer to the Independent Shareholders and requesting Oxford to put forward the Scheme Proposal to the Scheme Shareholders, with the intention to privatise Oxford.

In our view, the normal level of liquidity would not be sufficient for the Independent Shareholders to sell significant numbers of their Shares in the market without causing any downward pressure on the market price of the Shares. We concur with the view of the Directors that the Offer represents an opportunity for the Independent Shareholders to realise their investment in Oxford.

OPINION ON THE TERMS OF THE OFFER

Having considered the terms of the Offer and the following factors in particular:

- the small discount of the Offer Price to the net tangible assets value per Share as compared to the Comparable Offers;
- the thin trading volume of the Shares; and
- the uncertainty as to the Group’s business prospects under the current economic conditions in Hong Kong and Guam where the Group’s investment properties are situated,

despite the fact that the Offer Price represents a discount of 33.8% to the closing price of HK\$13.6 per Share as at the Latest Practicable Date, which was likely to be caused by the announcement of the Cancellation Price of HK\$15.00 as aforementioned, we are of the view that the terms of the Offer are fair and reasonable in so far as the Independent Shareholders are concerned and the Offer does offer the Independent Shareholders an opportunity to realise their investments in the Company. However, the Independent Shareholders are urged to read in detail the terms of the Scheme Proposal in this Composite Document, before making any decision on whether or not to accept the Offer.

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The Independent Shareholders are reminded that, as stated in the Letter from the Board on page 11 of the Composite Document, by validly accepting the Offer, Qualifying Shareholders will be obliged and bound to sell their Shares at the Offer price of HK\$9.00 per Share together with all rights attached, accrued and accruing to them, including but without limitation the right to receive all dividends and distributions declared, made or paid on or after the Announcement Date, free from all liens, charges and/or encumbrances, legal or otherwise. In other words, the Qualifying Shareholders will have transferred their rights to claim and to receive such unclaimed dividends, if any, to Smart Extra by validly accepting the Offer.

BACKGROUND INFORMATION OF THE SCHEME

According to Section 168 of, and the Ninth Schedule to, the Companies Ordinance, Smart Extra has, during the period of 4 months beginning on the date of the Offer, the liberty to acquire not less than 90% in value of the Shares for which the Offer is made, by virtue of acceptances of the Offer or otherwise, and Smart Extra shall be legally entitled to avail itself of the compulsory acquisition provisions under Section 168 of, and the Ninth Schedule to, the Companies Ordinance whereupon Smart Extra may, if it so wishes at its sole and absolute discretion not later than 5 months after the date of the Offer, give notice in the form and in the manner as statutorily specified and/or prescribed, to the holders of any Shares to which the Offer relates which Smart Extra has not acquired, that it desires to acquire those Shares and thereupon Smart Extra shall be legally entitled as well as bound to acquire those Shares on the terms of the Offer.

In this regard, up to 16th June, 2003, Smart Extra has received letters of irrevocable undertaking all dated 21st May, 2003 from 16 Disinterested Shareholders holding approximately 3,866,040 Shares, in aggregate, representing approximately 5.71% of the issued share capital of Oxford or approximately 56.41% of the Disinterested Shares, whereby each and every one of them has confirmed on an irrevocable basis that they will not accept the Offer in respect of any of the Shares held by them on the terms and conditions as outlined above. Furthermore, notices of intention were also given by these Disinterested Shareholders that they would support the Scheme Proposal by voting in favour of the Scheme both at the Court Meeting and the EGM. Accordingly, Smart Extra has anticipated that it will not be able to qualify itself to avail itself of the compulsory acquisition provisions under section 168 as described above.

On 6th May, 2003, Smart Extra initiated a request to Oxford to put forward a proposal to Shareholders in respect of the privatisation of Oxford by way of a scheme of arrangement under Section 166 of the Companies Ordinance involving, inter alia, cancellation of all the Scheme Shares. Subject to the terms of the Scheme, holders of Scheme Shares will receive:

For each Scheme Share HK\$15.00 in cash

Based on the information provided by Smart Extra, a total of 49,834 Shares have been tendered for acceptance under the Offer up to the Latest Practicable Date. Taking into account the above information and the 60,406,962 Shares held by Smart Extra, the Scheme Shareholders were interested in 7,303,204 Shares as at the Latest Practicable Date.

Details of the terms and conditions of the Scheme Proposal are set out on page 13 to page 27 of the Composite Document.

LETTER FROM SHENYIN WANGUO

PRINCIPAL FACTORS CONSIDERED IN RELATION TO THE SCHEME

In arriving at our advice with respect to the terms of the Scheme Proposal, we have taken into account the following principal factors:

1. Property market outlook, financial performance and future prospects of the Group

Discussions in relation to the property market outlook, financial performance and future prospects of the Group have been set out in the paragraphs headed “Property market outlook”, “Financial performance of the Group” and “Future prospects of the Group” under the section headed “Principal factors considered in relation to the Offer”.

2. Net tangible assets value of the Group

As mentioned in the paragraph headed “Net tangible assets value of the Group” under the section headed “Principal factors considered in relation to the Offer” of this letter, the proforma adjusted net tangible assets value of the Group as at 31st January, 2003, after taken into account revaluation adjustment, would have been approximately HK\$778.7 million, which represents an unaudited adjusted net tangible assets value per Share of approximately HK\$11.49 as at 31st January, 2003.

The Cancellation Price represents a 31.58% premium over the audited consolidated net tangible assets value per Share of approximately HK\$11.40 as at 31st January, 2003 and 30.55% premium over the unaudited adjusted net tangible assets per Share of approximately HK\$11.49 as at 31st January, 2003.

In assessing the reasonableness of the Cancellation Price relative to the net tangible assets value per Share, we referred to the Comparable Offers which have been set out in the paragraph headed “Net tangible assets value of the Group” under the section headed “Principal factors considered in relation to the Offer”. The arithmetic average of Comparable Offers is set out on page 49 of the Composite Document:

	Cancellation price (HK\$)	Net tangible assets value per share (HK\$)	Premium/(Discount) of offer price/cancellation price to net tangible assets value per share
The Scheme	15.00	11.40 (<i>Note 1</i>)	31.58%
	15.00	11.49 (<i>Note 2</i>)	30.55%

Note 1: Audited consolidated net tangible assets value per Share as at 31st January, 2003

Note 2: Unaudited adjusted net tangible assets per Share as at 31st January, 2003

All Comparable Offers show a range from a premium of 65.41% to a discount of 78.08% and an average discount of 36.70% to the net tangible assets value per share. Although such Comparable Offers were carried out under different economic environments, we consider that the 31.58% premium of the

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Cancellation Price over the audited consolidated net tangible assets value per Share as at 31st January, 2003 and 30.55% premium over the unaudited adjusted net tangible assets value per Share as at 31st January, 2003 to be acceptable as compared to the range of premium/discount and the average referred to in the table on page 49 of the Composite Document. Hence, we are of the view that the Cancellation Price is fair and reasonable in so far as the Independent Shareholders are concerned.

3. Share price performance

The table of the monthly highest and lowest trading prices of the Shares and the monthly average closing prices of the Shares for the First Review Period and the Second Review Period has been shown in the paragraph headed “Share price performance” under the section headed “Principal factors considered in relation to the Offer”.

The highest and lowest trading prices per Share during the First Review Period were HK\$23.9 (on 19th April, 2002) and HK\$5.9 (on both 20th and 21st November, 2002) respectively. The Cancellation Price of HK\$15.00 per Share represents a discount of approximately 37.2% to such highest trading price per Share and a premium of approximately 154.2% over such lowest trading price per Share.

The Cancellation Price of HK\$15.00 per Scheme Share also represents:

- a premium of approximately 59.57% over the closing price per Share of HK\$9.40 on the Stock Exchange on the Pre-Announcement Date;
- a premium of approximately 68.35% over the average closing price per Share of HK\$8.91 for the 1-month period prior to and including the Pre-Announcement Date;
- a premium of approximately 188.97% over the average closing price of approximately HK\$7.98 per Share for the 6-month period prior to and including the Pre-Announcement Date;
- a premium of approximately 142.18% over the average closing price of approximately HK\$10.55 per Share for the 12-month period prior to and including the Pre-Announcement Date; and
- a premium of approximately 10.29% over the closing price of HK\$13.60 per Share on the Latest Practicable Date.

Discussion in relation to the trend of the Share price has been set out in the paragraph headed “Share price performance” under the section headed “Principal factors considered in relation to the Offer”.

In view of the premia of the Cancellation Price to all the average closing prices of the Shares for the dates and periods stated above, we are of the view that the Cancellation Price is fair and reasonable in so far as the Independent Shareholders are concerned.

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4. Trading volume

Discussion in relation to the trading volume of the Company has been set out in the paragraph headed “Trading volume” under the section headed ‘Principal factors considered in relation to the Offer’.

5. Conditions of the Scheme Proposal

The Scheme Proposal will become effective and binding on Oxford and all Shareholders subject to the following conditions:

- (i) the approval of the Scheme by a majority in number of the Independent Shareholders present and voting (either in person or by proxy) at the Court Meeting(s) representing not less than three-fourths in value of the Shares that are voted by the Independent Shareholders (either in person or by proxy) at the Court Meeting, provided that the Scheme is not disapproved by Independent Shareholders at the Court Meeting holding more than 10% in value of all the Shares held by the Independent Shareholders, in each case by way of poll;
- (ii) the approval of the Scheme by the passing of a special resolution (by way of poll) by Shareholders present and voting (either in person or by proxy) at the EGM;
- (iii) the sanction of the Scheme by the High Court of Hong Kong (with or without modification) and an office copy of the Court Order minutes containing the particulars required by section 166 of the Companies Ordinance are delivered to, and registered by, the Registrar of Companies in Hong Kong;
- (iv) all necessary authorisations, registrations, filings, rulings, consents, permissions and approvals in connection with the Scheme Proposal having been obtained or made from, with or by (as the case may be) the relevant authorities, in Hong Kong and/or any other relevant jurisdictions;
- (v) all necessary authorisations, registrations, filings, rulings, consents, permissions and approvals in connection with the Scheme Proposal remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no requirement having been imposed by any relevant authorities which is not expressly provided for, or is in addition to requirements expressly provided for, in relevant laws, rules, regulations or codes in connection with the Scheme Proposal or any matters, documents (including circulars) or things relating thereto, in each aforesaid case up to and at the time when the Scheme becomes effective; and
- (vi) all bank and other necessary consents which may be required under any existing contractual obligations of Oxford being obtained.

The formulation of the Scheme will be finalized until after the Offer is closed. The Independent Shareholders should note that any Independent Shareholder who has accepted the Offer will not be entitled to attend and/or vote at any of the Court Meeting(s) and the EGM in relation to the Scheme Proposal and he/she will not be eligible to take or receive any payment to be paid or made under the Scheme.

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Smart Extra has reserved the right, if thought fit and proper in its sole and absolute discretion, to waive or cause to be waived any or all of the conditions set out in (iv) to (vi) above but the conditions set out in (i) to (iii) above cannot be waived in any event. All of the above conditions will have to be satisfied or waived on or before a date to be determined by Smart Extra and Oxford (a further announcement will be made in respect thereof), otherwise the Scheme Proposal will lapse. Therefore, the Independent Shareholders should note that unless all the conditions of the Scheme Proposal are fulfilled (or otherwise waived at the option of Smart Extra), the Scheme Proposal will lapse whereupon the Scheme Proposal will become null and void ab initio and Independent Shareholders shall have no recourse whatsoever or howsoever to Smart Extra and/or the Company and/or any of its and/or their respective agents and/or servants.

OPINION ON THE TERMS OF THE SCHEME

Having considered the terms of the Scheme and the following factors in particular:

- the premium of the Cancellation Price to the net tangible assets value per Share as compared to the Comparable Offers;
- the thin trading volume of the Shares; and
- the uncertainty as to the Group's business prospects under the current economic condition in Hong Kong and Guam where the Group's investment properties are situated,

we are of the view that the terms of the Scheme are fair and reasonable in so far as the Independent Shareholders are concerned and the Scheme does offer the Independent Shareholders an opportunity to realise their investments in the Company at a price that represents a premium to the market prices for the past few months.

As to those Independent Shareholders who have failed and/or neglected to claim dividends which had been declared, they are hereby reminded that, according to the terms of the Scheme Proposal, such Qualifying Shareholders will have forfeited their rights to claim and/or receive such unclaimed dividends by the time when the Scheme becomes effective.

RECOMMENDATIONS ON THE OFFER AND THE SCHEME

In conclusion, having considered the terms of the Offer and the Scheme, we are of the view that the terms of each of the Offer and the Scheme are fair and reasonable in so far as the Independent Shareholders are concerned and each of the Offer and the Scheme does offer the Independent Shareholders an opportunity to realise their investments in the Company at a price that represents a premium to the market prices for the past few months.

However, having taken into consideration the fact that the Cancellation Price represents a premium of 66.67% over the Offer Price, we recommend the Independent Board Committee to recommend the Independent Shareholders not to accept the Offer but to vote in favour of the Scheme at the Court Meeting(s) and the EGM such that the Independent Shareholders will be entitled to receive the Cancellation Price. However, the Independent Shareholders should be mindful of the fact that the Offer is an unconditional one while the Scheme will only become effective and binding upon the fulfillment of certain conditions. **In this connection, the Independent Shareholders are strongly advised to read the**

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terms of the Scheme Proposal in its entirety, in particular, the conditions of the Scheme Proposal. We have to reiterate to the Independent Shareholders that the Scheme Proposal may or may not be approved at the Court Meeting or the EGM and may lapse, whereupon the Scheme Proposal will become null and void ab initio and Shareholders shall have no recourse whatsoever or howsoever to Smart Extra and/or the Company and/or any of its and/or their respective agents and/or servants. Moreover, based on the information made available to us, no timetable has yet been set down for completing the Scheme.

We would stress that the thin liquidity of Shares has been the main reason for making the Scheme Proposal and the Offer so that Shareholders may be provided with an opportunity to realise their investment in the Company. Having regard to the 7,303,204 Shares (representing 10.77% of the Shares in issue) held by Qualifying Shareholders as at the Latest Practicable Date, the Independent Shareholders who choose neither to accept the Offer nor to participate in the Scheme by voting against the Scheme Proposal will be left with an extremely illiquid investment following the close of the Offer, if the Scheme shall lapse or fail or otherwise not be proceeded with and that the Stock Exchange has stated that it may, in that circumstance, suspend the trading of the Shares on the Stock Exchange altogether pending the making and implementation of viable arrangements so that a sufficient level of public float will have been attained.

In summary, the Offer provides the Independent Shareholders with an opportunity to realise some or all of their investments in the Company at a fair and reasonable price of HK\$9.00 per Share. However, the Independent Shareholders would do much better by voting in favour of the Scheme and such that the Independent Shareholders receive the Cancellation Price of HK\$15.00 per Share which represents a premium over the prevailing market price of around HK\$13.60 per Share. For those who are concerned about the long timetable and the fulfilment of conditions of the Scheme Proposal, it is advisable for them to take advantage of the current market conditions for the Shares and to dispose as much of their investments in the Company as they could at a price above the Offer Price of HK\$9.00 in the market as the current market price of the Shares is unlikely to be sustained should the Scheme Proposal fail to be approved and implemented.

In the event that Smart Extra fails to privatise the Company for whatsoever and howsoever reasons, there will be insufficient public float in the Shares as required under Rule 8.08 of the Listing Rules. In the light of the fact that Smart Extra is now already holding approximately 89.23% of the equity share capital of the Company, the Stock Exchange has stated that it may, upon failure of Smart Extra to privatise the Company, suspend the trading of the Shares on the Stock Exchange until after viable arrangements are made and implemented so that a sufficient level of public float will have been attained.

We are independent of Smart Extra and MADC. However, notwithstanding that MADC is presumed to be acting in concert with Smart Extra, MADC may take into account our advice to the Independent Board Committee in its consideration in relation to the Offer and the Scheme Proposal in the same way as to all Independent Shareholders as set out above.

Yours faithfully,
For and on behalf of
Shenyin Wanguo Capital (H.K.) Limited
Simon Lee
Director, Head of Corporate Finance

1. SHARE CAPITAL

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

<i>Authorised:</i>	<i>HK\$</i>
<u>100,000,000</u> ordinary Shares of HK\$1 each	<u>100,000,000</u>
<i>Issued and fully paid:</i>	
<u>67,760,000</u> ordinary Shares of HK\$1 each in issue as at the Latest Practicable Date	<u>67,760,000</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 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, derivatives or conversion rights affecting the Shares outstanding as at the Latest Practicable Date.

No shares, options, warrants, derivatives or conversion rights affecting the Shares have been issued since 31st January, 2003.

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 2003:

	Year ended 31st January,		
	2003 \$'000	2002 \$'000	2001 \$'000
RESULTS			
TURNOVER	67,715	75,552	75,213
Cost of rental operations	<u>(14,972)</u>	<u>(17,734)</u>	<u>(18,476)</u>
	52,743	57,818	56,737
Other operating income	1,301	4,937	6,444
Administrative expenses	(6,560)	(6,218)	(5,543)
Other operating expenses	(4,228)	–	–
Impairment loss on properties	<u>(2,896)</u>	<u>(58,000)</u>	<u>–</u>
Profit (loss) from operations	40,360	(1,463)	57,638
Finance costs	(4,998)	(8,903)	(17,464)
Share of results of associates	<u>88</u>	<u>(120)</u>	<u>510</u>
PROFIT (LOSS) BEFORE TAXATION	35,450	(10,486)	40,684
Taxation	<u>(5,098)</u>	<u>(5,263)</u>	<u>(5,609)</u>
PROFIT (LOSS) BEFORE MINORITY INTEREST	30,352	(15,749)	35,075
Minority interest	<u>(2,943)</u>	<u>4,559</u>	<u>(2,694)</u>
NET PROFIT (LOSS) ATTRIBUTABLE TO SHAREHOLDERS	<u>27,409</u>	<u>(11,190)</u>	<u>32,381</u>
DIVIDENDS	<u>5,421</u>	<u>20,328</u>	<u>22,361</u>
DIVIDENDS PER SHARE (HK CENTS)	<u>8</u>	<u>30</u>	<u>33</u>
EARNINGS (LOSS) PER SHARE (HK CENTS)	<u>40</u>	<u>(17)</u>	<u>48</u>
ASSETS AND LIABILITIES			
TOTAL ASSETS	1,053,477	1,249,292	1,465,299
TOTAL LIABILITIES	(196,901)	(207,345)	(272,595)
MINORITY INTERESTS	<u>(83,977)</u>	<u>(91,060)</u>	<u>(101,898)</u>
NET ASSETS	<u>772,599</u>	<u>950,887</u>	<u>1,090,806</u>

The Group did not have any extraordinary items in the income statements for the three years ended 31st January, 2003.

- (b) The following is financial information of the Group extracted from the audited statements of the Group for the year ended 31st January, 2003:

Consolidated income statement

For the year ended 31st January, 2003

	<i>Notes</i>	2003 <i>HK\$</i>	2002 <i>HK\$</i>
Turnover	4	67,714,791	75,552,009
Cost of rental operations		<u>(14,972,225)</u>	<u>(17,733,587)</u>
		52,742,566	57,818,422
Other operating income	5	1,300,995	4,937,377
Administrative expenses		(6,558,924)	(6,218,803)
Other operating expenses	6	(4,228,306)	–
Impairment loss on properties	14	<u>(2,896,000)</u>	<u>(58,000,000)</u>
Profit (loss) from operations	7	40,360,331	(1,463,004)
Finance costs	9	(4,997,649)	(8,903,465)
Share of results of associates		<u>87,502</u>	<u>(119,983)</u>
Profit (loss) before taxation		35,450,184	(10,486,452)
Taxation	10	<u>(5,097,718)</u>	<u>(5,262,523)</u>
Profit (loss) before minority interests		30,352,466	(15,748,975)
Minority interests		<u>(2,943,102)</u>	<u>4,558,785</u>
Net profit (loss) for the year		<u><u>27,409,364</u></u>	<u><u>(11,190,190)</u></u>
Dividends	11	<u><u>5,420,800</u></u>	<u><u>20,328,000</u></u>
		<i>HK CENTS</i>	<i>HK CENTS</i>
Earnings (loss) per Share	12		
Basic		<u><u>40.5</u></u>	<u><u>(16.5)</u></u>

Consolidated balance sheet*At 31st January, 2003*

	<i>Notes</i>	2003 <i>HK\$</i>	2002 <i>HK\$</i>
NON-CURRENT ASSETS			
Investment properties	13	853,505,000	1,044,111,075
Other properties	14	97,543,793	100,469,043
Other fixed assets	15	1,252,817	1,145,274
Interests in associates	17	10,540,873	12,979,872
Investments in securities	18	5,832,114	6,722,619
		<u>968,674,597</u>	<u>1,165,427,883</u>
CURRENT ASSETS			
Properties for sale		6,348,148	6,348,148
Trade and other receivables	19	4,354,288	4,431,192
Deposits and prepayments		1,260,609	1,743,729
Bank balances and cash		72,839,285	71,341,100
		<u>84,802,330</u>	<u>83,864,169</u>
CURRENT LIABILITIES			
Trade and other payables	20	45,591,143	36,911,149
Deposits and accrued expenses		14,349,516	14,845,063
Obligations under finance leases	21	158,433	95,060
Taxation		14,733,307	15,001,209
Bank loans due within one year, secured	22	37,791,855	33,341,169
Bank overdrafts, secured		7,748	9,448
		<u>112,632,002</u>	<u>100,203,098</u>
NET CURRENT LIABILITIES		<u>(27,829,672)</u>	<u>(16,338,929)</u>
		<u>940,844,925</u>	<u>1,149,088,954</u>
CAPITAL AND RESERVES			
Share capital	23	67,760,000	67,760,000
Reserves	24	704,839,085	883,127,221
Shareholders' funds		<u>772,599,085</u>	<u>950,887,221</u>
MINORITY INTERESTS		<u>83,976,598</u>	<u>91,060,367</u>
NON-CURRENT LIABILITIES			
Obligations under finance leases	21	–	158,433
Bank loans due after one year, secured	22	81,599,559	104,421,125
Deferred taxation	25	1,873,079	1,767,499
Other deferred items	26	796,604	794,309
		<u>84,269,242</u>	<u>107,141,366</u>
		<u>940,844,925</u>	<u>1,149,088,954</u>

Company balance sheet

At 31st January, 2003

	<i>Notes</i>	2003 <i>HK\$</i>	2002 <i>HK\$</i>
NON-CURRENT ASSETS			
Investment properties	13	8,970,000	11,700,000
Other properties	14	18,640,595	21,535,951
Other fixed assets	15	251,230	328,648
Interests in subsidiaries	16	441,487,258	427,786,342
Interests in associates	17	250,000	250,000
Investments in securities	18	80,000	80,000
		<u>469,679,083</u>	<u>461,680,941</u>
CURRENT ASSETS			
Trade and other receivables		2,592,166	2,536,334
Deposits and prepayments		335,167	772,246
Bank balances and cash		13,391,333	19,632,386
		<u>16,318,666</u>	<u>22,940,966</u>
CURRENT LIABILITIES			
Trade and other payables		43,030,696	34,019,940
Deposits and accrued expenses		1,595,126	1,789,520
Taxation		1,988,985	2,351,898
Bank loans due within one year, secured	22	791,855	721,373
		<u>47,406,662</u>	<u>38,882,731</u>
NET CURRENT LIABILITIES		<u>(31,087,996)</u>	<u>(15,941,765)</u>
		<u>438,591,087</u>	<u>445,739,176</u>
CAPITAL AND RESERVES			
Share capital	23	67,760,000	67,760,000
Reserves	24	24,223,176	42,030,267
		<u>91,983,176</u>	<u>109,790,267</u>
NON-CURRENT LIABILITIES			
Bank loans due after one year, secured	22	8,207,857	9,028,627
Amounts due to subsidiaries	27	338,400,054	326,920,282
		<u>346,607,911</u>	<u>335,948,909</u>
		<u>438,591,087</u>	<u>445,739,176</u>

Consolidated statement of changes in equity*For the year ended 31st January, 2003*

	Total equity <i>HK\$</i>
At 1st February, 2001	1,090,805,868
Net decrease on revaluation of investment properties	(95,245,125)
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)
– Associates	537,649
Net losses not recognised in the income statement	(108,958,748)
Net loss for the year	(11,190,190)
Unclaimed dividends written back	3,946,291
Dividends paid	(23,716,000)
At 31st January, 2002	950,887,221
Net decrease on revaluation of investment properties	(183,312,359)
Decrease on revaluation of investments in securities held by	
– Subsidiaries, adjusted for minority interests	(890,275)
– Associates	(2,704,188)
Net losses not recognised in the income statement	(186,906,822)
Net profit for the year	27,409,364
Unclaimed dividends written back	182,122
Dividends paid	(18,972,800)
At 31st January, 2003	772,599,085

Consolidated cash flow statement*For the year ended 31st January, 2003*

	2003 HK\$	2002 HK\$
OPERATING ACTIVITIES		
Profit (loss) from operations	40,360,331	(1,463,004)
Adjustments for:		
Depreciation and amortisation	385,991	341,393
Interest income	(813,480)	(2,567,962)
Dividend income	(280,814)	(258,162)
Impairment loss on other properties	2,896,000	58,000,000
Loss on disposal of other fixed assets	–	43,027
Allowances for doubtful debts	1,242,530	3,854,867
Depreciation on investment properties written back	(2,732,925)	–
Decrease in other deferred items	–	(143,912)
	<hr/>	<hr/>
Operating cash flows before movements in working capital	41,057,633	57,806,247
Increase in trade and other receivables	(1,165,626)	(2,135,899)
Decrease (increase) in deposits and prepayments	483,120	(185,309)
Decrease in trade and other payables	(716,045)	(42,343,070)
Decrease in deposits and accrued expenses	(495,547)	(1,431,956)
	<hr/>	<hr/>
Cash generated from operations	39,163,535	11,710,013
Income taxes paid	(5,443,862)	(6,584,377)
Income taxes refunded	269,798	785,895
	<hr/>	<hr/>
NET CASH FROM OPERATING ACTIVITIES	33,989,471	5,911,531
	<hr/>	<hr/>
INVESTING ACTIVITIES		
Interest received from bank deposits, other deposits and receivables	815,775	2,567,962
Dividends received from investments in securities	280,814	258,162
Purchase of other fixed assets	(464,284)	(794,663)
Increase in amount due from an associate	(263,663)	(350,179)
	<hr/>	<hr/>
CASH FROM INVESTING ACTIVITIES	368,642	1,681,282
	<hr/>	<hr/>
FINANCING ACTIVITIES		
Interest paid	(4,612,366)	(8,416,393)
Dividends paid	(9,779,922)	(11,258,336)
New bank loans raised	–	4,291,702
Repayments of bank loans	(18,370,880)	(18,678,883)
Payments of obligations under finance leases	(95,060)	(95,060)
	<hr/>	<hr/>
NET CASH USED IN FINANCING ACTIVITIES	(32,858,228)	(34,156,970)
	<hr/>	<hr/>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,499,885	(26,564,157)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	71,331,652	97,895,809
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	72,831,537	71,331,652
	<hr/> <hr/>	<hr/> <hr/>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	72,839,285	71,341,100
Bank overdrafts	(7,748)	(9,448)
	<hr/>	<hr/>
	72,831,537	71,331,652
	<hr/> <hr/>	<hr/> <hr/>

Notes to the financial statements

For the year ended 31st January, 2003

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 property investment and development, investment holding, and provision of property agency services.

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICES/CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practices ("SSAP(s)") issued by the Hong Kong Society of Accountants ("HKSA") which has resulted in the adoption of the following new and revised accounting policies. The adoption of these SSAPs has resulted in a change in the format of presentation of the consolidated cash flow statement and the introduction of the consolidated statement of changes in equity but has had no material effect on the results for the current or prior accounting periods.

Foreign currencies

The revisions to SSAP 11 "Foreign Currency Translation" have eliminated the choice of translating the income statements of subsidiaries and associates operating outside Hong Kong at the closing rate for the period, the policy previously followed by the Group. They are now required to be translated at an average rate. This change in accounting policy has not had any material effect on the results for the current or prior accounting periods.

Cash flow statements

In the current period, the Group has adopted SSAP 15 (Revised) "Cash Flow Statements". Under SSAP 15 (Revised), cash flows are classified under three headings – operating, investing and financing activities, rather than the previous five headings. Interest and dividends, which were previously presented under a separate heading, are classified as either investing or financing cash flows. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities. Cash flows of subsidiaries operating outside Hong Kong have been re-translated at the rates prevailing at the dates of the cash flows rather than the rate of exchange prevailing on the balance sheet date.

Employee benefits

In the current period, the Group has adopted SSAP 34 "Employee Benefits", which introduces measurement rules for employee benefits, including retirement benefit plans. Because the Group participates only in defined contribution retirement benefit schemes, the adoption of SSAP 34 has not had any material impact on the financial statements.

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.

Investments in subsidiaries

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

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.

The results of associates are accounted for by the Company on the basis of dividends received and receivable. In the Company's balance sheet, investments in associates are stated at cost less any identified impairment loss.

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 the 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.

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.

Previously, certain investment properties in Guam, U.S.A., which, in the opinion of the directors, were insignificant to the Group, were carried at 1983 professional valuation less subsequent depreciation. Commencing from the current year, in order to bring these properties in line with other investment properties of the Group, such properties are carried at their open market value at the balance sheet date based on independent professional valuations.

Such change in accounting policy has resulted in increases in the net profit for the year, the investment properties and the minority interests of HK\$2,265,253, HK\$1,523,925 and HK\$260,782 respectively and a decrease in the investment property revaluation reserve of HK\$1,002,110. No prior year adjustments have been made as the effects of such change in accounting policy on prior year's financial statements are immaterial.

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 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.

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 in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates of exchange prevailing on the balance sheet date. Profits and losses arising on exchange are included in the net profit or loss for the period.

On consolidation, the assets and liabilities of overseas subsidiaries and associates are translated at the rates of exchange prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's exchange translation reserve. Such translation differences are recognised as income or as expense in the period in which the subsidiary or associate is disposed of.

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.

Leases

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 to the Group. 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 rental income earned from assets under leases is recognised on a straight-line basis over the relevant lease term.

Impairment

At each balance sheet date, the Group reviews 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 a revalued amount under another SSAP, in which case the impairment loss is treated as a revaluation decrease under that SSAP.

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 SSAP, in which case the reversal of the impairment loss is treated as a revaluation increase under that SSAP.

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

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.

Sale of properties in Guam, U.S.A., under instalment sale contracts is accounted for on the deposit method whereby the revenue from such sale is deferred and not recognised until the settlement of the sales 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

Dividends from listed investments are 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 and other income from lease of properties and proceeds from sale of properties, and is analysed as follows:

	2003 HK\$	2002 HK\$
Lease of properties	67,714,791	75,422,217
Sale of properties	–	129,792
	<u>67,714,791</u>	<u>75,552,009</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 OF THE GROUP

Revenue and Results

For the year ended 31st January, 2003

	Property letting	Land investment	Other operations	Consolidated
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Segment revenue				
External	<u>65,452,696</u>	<u>–</u>	<u>2,262,095</u>	<u>67,714,791</u>
Segment results	<u>51,108,030</u>	<u>(2,896,000)</u>	<u>1,915,350</u>	50,127,380
Interest and other income				1,020,181
Unallocated corporate expenses				<u>(10,787,230)</u>
Profit from operations				40,360,331
Finance costs				(4,997,649)
Share of results of associates	–	(267,240)	354,742	<u>87,502</u>
Profit before taxation				35,450,184
Taxation				<u>(5,097,718)</u>
Profit before minority interests				30,352,466
Minority interests				<u>(2,943,102)</u>
Net profit for the year				<u>27,409,364</u>

Assets and Liabilities

At 31st January, 2003

	Property letting	Land investment	Other operations	Consolidated
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
ASSETS				
Segment assets	857,859,288	97,543,793	12,180,262	967,583,343
Interests in associates	–	2,521,754	8,019,119	10,540,873
Unallocated corporate assets				<u>75,352,711</u>
				<u>1,053,476,927</u>
LIABILITIES				
Segment liabilities	18,612,962	177,828	–	18,790,790
Unallocated corporate liabilities				177,313,850
Other deferred items	–	–	796,604	<u>796,604</u>
				<u>196,901,244</u>

APPENDIX I
FINANCIAL INFORMATION OF THE GROUP

Revenue and results

For the year ended 31st January, 2002

	Property letting	Land investment	Other operations	Consolidated
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Segment revenue				
External	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	Land investment	Other operations	Consolidated
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
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
Unallocated corporate assets				74,230,103
				1,249,292,052
LIABILITIES				
Segment liabilities	19,332,857	180,362	–	19,513,219
Unallocated corporate liabilities				187,036,936
Other deferred items	–	–	794,309	794,309
				207,344,464

Other information

	Property letting		Land investment	
	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$
Depreciation and amortisation	–	16,575	29,250	29,250
Allowances for doubtful debts	1,242,530	3,854,867	–	–
Impairment losses on properties recognised	–	–	2,896,000	58,000,000
	<u>–</u>	<u>–</u>	<u>2,896,000</u>	<u>58,000,000</u>

Geographical segments

Turnover of the Group by geographical market:

	Turnover	
	2003 HK\$	2002 HK\$
Hong Kong	63,206,728	69,840,599
Guam, U.S.A.	4,508,063	5,711,410
	<u>67,714,791</u>	<u>75,552,009</u>

The Group's assets by geographical segments:

	Carrying amounts of segment assets	
	2003 HK\$	2002 HK\$
Hong Kong	978,209,636	1,169,463,440
Guam, U.S.A.	75,267,291	79,828,612
	<u>1,053,476,927</u>	<u>1,249,292,052</u>

The additions to assets of the Group that are expected to be used for more than one year in respect of both periods presented are located in Hong Kong.

5. OTHER OPERATING INCOME

	2003 HK\$	2002 HK\$
Included in other operating income are:		
Interest on bank deposits	813,480	2,517,343
Other interest income	–	50,619
Dividends from listed investments	280,814	258,162
	<u>280,814</u>	<u>258,162</u>

6. OTHER OPERATING EXPENSES

	2003 HK\$	2002 HK\$
Legal, professional and other fees in relation to:		
Proposed open offer of new shares in the Company	1,586,269	–
Other corporate and legal consultancy services rendered	2,642,037	–
	<u>4,228,306</u>	<u>–</u>

7. PROFIT (LOSS) FROM OPERATIONS

	2003 HK\$	2002 HK\$
Profit (loss) from operations has been arrived at after charging (crediting):		
Auditors' remuneration	706,407	601,336
Depreciation and amortisation in respect of		
Investment properties	–	16,575
Other properties	29,250	29,250
Other fixed assets		
Owned assets	273,844	185,038
Assets held under finance leases	82,897	110,530
Staff costs including directors' remuneration (<i>Note</i>)	6,603,783	5,026,007
Gross rentals from properties, less outgoing of HK\$17,705,150 (2002: HK\$17,663,524)	(50,009,641)	(57,758,693)
Depreciation on investment properties written back included in cost of rental operations (<i>Note 3</i>)	<u>(2,732,925)</u>	<u>–</u>

Note: Included in staff costs are contributions to retirement benefit schemes of HK\$163,701 (2002: HK\$133,552). No forfeited contribution was utilised to reduce the current year's contributions (2002: HK\$19,708).

8. EMOLUMENTS OF DIRECTORS AND SENIOR EMPLOYEES

(a) Directors' emoluments

	2003 HK\$	2002 HK\$
Directors' fees		
Executive directors	30,000	40,000
Non-executive directors	20,000	–
Independent non-executive directors	30,000	30,000
Other emoluments to executive directors		
Salaries and other benefits	1,485,355	735,825
Contributions to retirement benefit schemes	50,265	34,504
Compensation to non-executive directors who are members of Special Committee to deal with issues raised in an Inspector's report	<u>800,000</u>	<u>–</u>
	<u>2,415,620</u>	<u>840,329</u>

The aggregate emoluments of the directors are individually below HK\$1,000,000 for the years presented.

(b) Employees' emoluments

The five highest paid individuals of the Group included four (2002: one) director(s) of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining one (2002: four) individual(s) are as follows:

	2003 <i>HK\$</i>	2002 <i>HK\$</i>
Salaries and other benefits	400,000	1,107,137
Contributions to retirement benefit scheme	5,000	36,873
	<u>405,000</u>	<u>1,144,010</u>

The aggregate emoluments of the employees whose remunerations are included above are individually below HK\$1,000,000 for the years presented.

9. FINANCE COSTS

	2003 <i>HK\$</i>	2002 <i>HK\$</i>
Interest on:		
Bank loans and overdrafts		
Wholly repayable within five years	4,411,770	8,291,303
Not wholly repayable within five years	558,719	585,002
Finance leases	27,160	27,160
	<u>4,997,649</u>	<u>8,903,465</u>

10. TAXATION

	2003 <i>HK\$</i>	2002 <i>HK\$</i>
The charge comprises:		
Company and subsidiaries		
Hong Kong Profits Tax	4,774,162	4,890,264
Overseas tax	132,000	204,000
Deferred taxation (<i>Note 25</i>)	105,580	168,259
	<u>5,011,742</u>	<u>5,262,523</u>
Associates		
Hong Kong Profits Tax	85,976	–
	<u>5,097,718</u>	<u>5,262,523</u>

Hong Kong Profits Tax is calculated at 16% (2002: 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 25.

11. DIVIDENDS

	2003 HK\$	2002 HK\$
Ordinary shares		
Interim, paid		
HK8 cents (2002: HK10 cents) per share	5,420,800	6,776,000
Final, proposed		
Nil (2002: HK20 cents) per share	–	13,552,000
	<u>5,420,800</u>	<u>20,328,000</u>

The directors do not recommend the payment of a final dividend.

12. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share is based on the net profit for the year of HK\$27,409,364 (2002: net loss of HK\$11,190,190) and on 67,760,000 (2002: 67,760,000) ordinary shares in issue during the year.

13. INVESTMENT PROPERTIES

	Land and buildings in Hong Kong HK\$	Land and buildings in Guam, U.S.A. HK\$	Total HK\$
THE GROUP			
VALUATION			
At 1st February, 2002	1,031,400,000	15,444,000	1,046,844,000
Decrease on revaluation	(189,400,000)	(3,939,000)	(193,339,000)
	<u>842,000,000</u>	<u>11,505,000</u>	<u>853,505,000</u>
At 31st January, 2003			
DEPRECIATION			
At 1st February, 2002	–	2,732,925	2,732,925
Written back (<i>Note 3</i>)	–	(2,732,925)	(2,732,925)
	<u>–</u>	<u>–</u>	<u>–</u>
At 31st January, 2003			
NET BOOK VALUES			
At 31st January, 2003	<u>842,000,000</u>	<u>11,505,000</u>	<u>853,505,000</u>
At 31st January, 2002	<u>1,031,400,000</u>	<u>12,711,075</u>	<u>1,044,111,075</u>
		Land and buildings in Guam, U.S.A. HK\$	
THE COMPANY			
VALUATION			
At 1st February, 2002			11,700,000
Decrease on revaluation			(2,730,000)
			<u>8,970,000</u>
At 31st January, 2003			

An analysis of the net book value of the Group's and the Company's investment properties is set out below:

	THE GROUP		THE COMPANY	
	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$
Land and buildings at valuation				
In Hong Kong on				
Long leases	537,400,000	664,000,000	–	–
Medium-term leases	304,600,000	367,400,000	–	–
	<u>842,000,000</u>	<u>1,031,400,000</u>	–	–
In Guam, U.S.A. on				
Freehold land	10,920,000	12,711,075	8,970,000	11,700,000
Medium-term leases	585,000	–	–	–
	<u>853,505,000</u>	<u>1,044,111,075</u>	<u>8,970,000</u>	<u>11,700,000</u>

The investment properties of the Group in Hong Kong at 31st January, 2003 are carried at their open market value at that date as valued by DTZ Debenham Tie Leung Limited. The investment properties of the Group and the Company in Guam, U.S.A. at 31st January, 2003 are carried at their open market value at that date as valued by Micronesian Appraisal Associates, Inc.. The valuers are independent firms of property valuers.

The land and buildings in Guam, U.S.A., at 31st January, 2002 were carried at 1983 professional valuation less depreciation.

14. OTHER PROPERTIES

	THE GROUP		THE COMPANY	
	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$
Land in Guam, U.S.A.				
Freehold				
At cost less impairment	43,190,216	46,086,216	18,640,595	21,535,951
At 1983 professional valuation	14,981,312	14,981,312	–	–
Leasehold land				
At cost less amortisation	1,345,500	1,374,750	–	–
	<u>59,517,028</u>	<u>62,442,278</u>	<u>18,640,595</u>	<u>21,535,951</u>
Properties in Hong Kong on medium-term lease held for development, at cost	<u>38,026,765</u>	<u>38,026,765</u>	–	–
	<u>97,543,793</u>	<u>100,469,043</u>	<u>18,640,595</u>	<u>21,535,951</u>

In the prior year, in order to conform with SSAP 31, the carrying value of certain freehold land in Guam, U.S.A. was written down by HK\$71,559,834 by reference to the valuation conducted by an independent property valuer. The amount so reduced to the extent of 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. In the current year, by reference to the valuation conducted by an independent property valuer subsequent to the balance sheet date, impairment losses on certain freehold land in Guam, U.S.A., amounted to HK\$2,896,000 have been provided and charged to the income statement. At 31st January, 2003, impairment losses provided on land in Guam, U.S.A., amounted to a total of HK\$74,455,834 (2002: HK\$71,559,834).

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\$58,785,000 (2002: HK\$61,710,000).

15. OTHER FIXED ASSETS

	Furniture, fixtures, office equipment and motor vehicles
	<i>HK\$</i>
THE GROUP	
COST	
At 1st February, 2002	2,626,131
Additions	464,284
	<u> </u>
At 31st January, 2003	<u>3,090,415</u>
DEPRECIATION	
At 1st February, 2002	1,480,857
Provided for the year	356,741
	<u> </u>
At 31st January, 2003	<u>1,837,598</u>
NET BOOK VALUES	
At 31st January, 2003	<u>1,252,817</u>
	<u> </u>
At 31st January, 2002	<u>1,145,274</u>
THE COMPANY	
COST	
At 1st February, 2002 and 31st January, 2003	1,082,536
	<u> </u>
DEPRECIATION	
At 1st February, 2002	753,888
Provided for the year	77,418
	<u> </u>
At 31st January, 2003	<u>831,306</u>
NET BOOK VALUES	
At 31st January, 2003	<u>251,230</u>
	<u> </u>
At 31st January, 2002	<u>328,648</u>

The net book value of the Group's fixed assets shown above includes an amount of HK\$248,692 (2002: HK\$331,589) in respect of assets held under finance leases.

16. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2003	2002
	<i>HK\$</i>	<i>HK\$</i>
Unlisted shares		
– at cost	10,510,000	10,510,000
– at 1976 directors' valuation	34,475,000	34,475,000
	<u> </u>	<u> </u>
	44,985,000	44,985,000
Amounts due from subsidiaries	396,502,258	382,801,342
	<u> </u>	<u> </u>
	<u>441,487,258</u>	<u>427,786,342</u>

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FINANCIAL INFORMATION OF THE GROUP

Particulars of the subsidiaries at 31st January, 2003 which are incorporated and operating in Hong Kong, except where otherwise indicated, are as follows:

Name of company	Class of shares held	Particulars of issued capital		Proportion of nominal value of issued capital held by the Company		Principal activities
		Number of shares	Par value per share	Directly %	Indirectly %	
James S. Lee & Company Clothing Mill (Hong Kong) Limited	Ordinary	20,000	HK\$100	87.25	–	Property investment and investment holding
Dynasty Hotel Limited	Ordinary	15,000	HK\$100	100	–	Property investment and investment holding
Oxford Construction Company Limited	Ordinary	5,000	HK\$100	100	–	Inactive
Pacific Interests, Inc. (Note i)	Common stock	2,000,000	US\$1	100	–	Property investment
Oxford Finance Company Limited	Ordinary	10,000,000	HK\$1	100	–	Inactive
International Peaceful Interests Limited	Ordinary	10,000	HK\$1	100	–	Provision of property agency services and investment holding
House of Fashion Limited	Ordinary	1,000	HK\$100	–	88	Investment holding
James S. Lee & Company (Kowloon) Limited	Ordinary	1,000	HK\$1,000	–	95	Property investment and investment holding
Guam Yokoi Look Limited	Ordinary	2	HK\$200	–	100	Investment holding
First Island Industry, Inc. (Note i)	Common stock	4,500,000	US\$1	–	100	Property investment and development
Guam United Trading Services & Financing Company, Inc. (Note i)	Common stock	19,998	US\$1	–	100	Property investment
James S. Lee & Co. (Guam) Limited (Note i)	Common stock	1,000	US\$100	–	100	Property investment and investment holding
Trisight (BVI) Limited (Note ii)	Ordinary	1	HK\$1	–	100	Investment holding
Trisight Limited	Ordinary	100,000	HK\$1	–	100	Property investment
Link Consultants Limited (Note iii)	Common stock	5,000	US\$1	–	100	Investment holding
Bermuda Consultants Limited	Ordinary	1,000	HK\$1	–	100	Property investment

Notes:

- (i) Incorporated and operating in Guam, U.S.A.
- (ii) Incorporated in the British Virgin Islands
- (iii) Incorporated in the Bahamas

17. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$
Unlisted associates:				
Shares, at cost	–	–	250,000	250,000
Share of net assets	1,044,966	3,747,628	–	–
	1,044,966	3,747,628	250,000	250,000
Amount due from an associate	9,495,907	9,232,244	–	–
	10,540,873	12,979,872	250,000	250,000

The amount due from an associate, Guam Tourist Development Company, is unsecured, interest-free and has no fixed terms of repayment.

Particulars of the associates at 31st January, 2003 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

18. INVESTMENTS IN SECURITIES

	THE GROUP		THE COMPANY	
	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$
Not held for trading equity securities:				
Listed in Hong Kong	5,752,113	6,642,618	–	–
Unlisted	188,500	188,500	–	–
Less: impairment	(188,499)	(188,499)	–	–
	5,752,114	6,642,619	–	–
Unlisted club debentures	80,000	80,000	80,000	80,000
	5,832,114	6,722,619	80,000	80,000
Market value of listed securities	5,752,113	6,642,618	–	–

19. 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:

	THE GROUP	
	2003	2002
	<i>HK\$</i>	<i>HK\$</i>
0 – 60 days	2,905,501	3,120,987
61 – 90 days	289,384	455,210
Over 90 days	1,159,403	854,995
	<u>4,354,288</u>	<u>4,431,192</u>

20. TRADE AND OTHER PAYABLES

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

	THE GROUP	
	2003	2002
	<i>HK\$</i>	<i>HK\$</i>
Trade payables due between 0 – 60 days	2,560,447	2,891,209
Unclaimed dividends payable	43,030,696	34,019,940
	<u>45,591,143</u>	<u>36,911,149</u>

21. OBLIGATIONS UNDER FINANCE LEASES

	THE GROUP	
	2003	2002
	<i>HK\$</i>	<i>HK\$</i>
Obligations under finance leases maturing		
Within one year	158,433	95,060
More than one year, but not exceeding two years	–	158,433
	<u>158,433</u>	<u>253,493</u>
Less: Amount due within one year shown under current liabilities	<u>(158,433)</u>	<u>(95,060)</u>
Amount due after one year	<u>–</u>	<u>158,433</u>

22. BANK LOANS

	THE GROUP		THE COMPANY	
	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$
Secured bank loans repayable				
Within one year	37,791,855	33,341,169	791,855	721,373
More than one year, but not exceeding two years	54,338,936	34,768,265	838,936	767,469
More than two years, but not exceeding five years	22,734,854	64,789,897	2,843,152	3,398,195
More than five years	4,525,769	4,862,963	4,525,769	4,862,963
	<u>119,391,414</u>	<u>137,762,294</u>	<u>8,999,712</u>	<u>9,750,000</u>
Less: Amount due within one year shown under current liabilities	<u>(37,791,855)</u>	<u>(33,341,169)</u>	<u>(791,855)</u>	<u>(721,373)</u>
Amount due after one year	<u><u>81,599,559</u></u>	<u><u>104,421,125</u></u>	<u><u>8,207,857</u></u>	<u><u>9,028,627</u></u>

23. SHARE CAPITAL

	THE GROUP AND THE COMPANY 2003 & 2002 HK\$
Authorised: 100,000,000 ordinary shares of HK\$1 each	<u><u>100,000,000</u></u>
Issued and fully paid: 67,760,000 ordinary shares of HK\$1 each	<u><u>67,760,000</u></u>

At 31st January, 2003, a total of 421,400 (2002: 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, 2003.

24. RESERVES

	Investment property revaluation reserve HK\$	Investment securities revaluation reserve HK\$	Negative goodwill HK\$	Exchange translation reserve HK\$	Other reserves HK\$	Dividend reserve HK\$	Retained profits HK\$	Total HK\$
THE GROUP								
At 1st February, 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)
Reversal of increase on revaluation of other properties adjusted for minority interests	-	-	-	-	(11,845,974)	-	-	(11,845,974)
(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
Net loss for the year	-	-	-	-	-	-	(11,190,190)	(11,190,190)
Unclaimed dividends written back	-	-	-	-	-	-	3,946,291	3,946,291
Amounts set aside for dividend payments (Note 11)	-	-	-	-	-	20,328,000	(20,328,000)	-
Interim dividend paid	-	-	-	-	-	(6,776,000)	-	(6,776,000)
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
2002 final dividend paid	-	-	-	-	-	(13,552,000)	-	(13,552,000)
Net decrease on revaluation of investment properties adjusted for minority interests	(183,312,359)	-	-	-	-	-	-	(183,312,359)
Decrease on revaluation of investments in securities held by - subsidiaries, adjusted for minority interests	-	(890,275)	-	-	-	-	-	(890,275)
- associates	-	(2,704,188)	-	-	-	-	-	(2,704,188)
Net profit for the year	-	-	-	-	-	-	27,409,364	27,409,364
Unclaimed dividends written back	-	-	-	-	-	-	182,122	182,122
Amounts set aside for dividend payments (Note 11)	-	-	-	-	-	5,420,800	(5,420,800)	-
Interim dividend paid	-	-	-	-	-	(5,420,800)	-	(5,420,800)
At 31st January, 2003	348,895,098	6,219,009	6,114,458	16,900,742	9,653,746	-	317,056,032	704,839,085

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The negative goodwill, arrived at after deducting goodwill on consolidation, amounted to HK\$3,066,187 (2002: HK\$3,066,187).

The Group's retained profits attributable to associates at 31st January, 2003 amounted to HK\$610,708 (2002: HK\$563,450).

	Dividend reserve HK\$	Other reserves HK\$	Retained profits HK\$	Total HK\$
THE COMPANY				
At 1st February, 2001	16,940,000	185,904	1,720,142	18,846,046
2001 final dividend paid	(16,940,000)	–	–	(16,940,000)
Net profit for the year	–	–	42,953,930	42,953,930
Unclaimed dividends written back	–	–	3,946,291	3,946,291
Amounts set aside for dividend payments (Note 11)	20,328,000	–	(20,328,000)	–
Interim dividend paid	(6,776,000)	–	–	(6,776,000)
At 31st January, 2002	13,552,000	185,904	28,292,363	42,030,267
2002 final dividend paid	(13,552,000)	–	–	(13,552,000)
Net profit for the year	–	–	983,587	983,587
Unclaimed dividends written back	–	–	182,122	182,122
Amounts set aside for dividend payments (Note 11)	5,420,800	–	(5,420,800)	–
Interim dividend paid	(5,420,800)	–	–	(5,420,800)
At 31st January, 2003	–	185,904	24,037,272	24,223,176

The Company's reserves available for distribution to shareholders at 31st January, 2003 represent retained profits of HK\$24,037,272 (2002: retained profits of HK\$28,292,363 and dividend reserve of HK\$13,552,000).

25. DEFERRED TAXATION

	THE GROUP	
	2003 HK\$	2002 HK\$
Deferred taxation attributable to excess of tax allowances over depreciation		
At beginning of the year	1,767,499	1,599,240
Charge for the year (Note 10)	105,580	168,259
At end of the year	1,873,079	1,767,499

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

	THE GROUP	
	2003 HK\$	2002 HK\$
Tax effect of timing differences because of		
Excess of tax allowances over depreciation	(3,025,000)	(2,240,281)
Tax losses	2,954,000	3,798,555
Other timing differences	15,557,000	13,320,000
	15,486,000	14,878,274

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

	THE GROUP	
	2003 <i>HK\$</i>	2002 <i>HK\$</i>
Tax effect of timing differences because of		
Differences between tax allowances and depreciation	(784,719)	(38,680)
Tax losses utilised	(844,555)	(1,586,769)
Other timing differences	2,237,000	13,320,000
	<u>607,726</u>	<u>11,694,551</u>

The other timing differences represent deferred tax asset attributable to the impairment loss on land and revaluation decrease of investment properties 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 asset 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 increase does not constitute a timing difference for tax purposes.

The Company had no material deferred taxation not accounted for in the financial statements.

26. OTHER DEFERRED ITEMS

	THE GROUP	
	2003 <i>HK\$</i>	2002 <i>HK\$</i>
Income on sale of properties		
Deposits and interest received	1,399,165	1,396,870
Less: Cost of properties sold under instalment contracts	(285,934)	(285,934)
Attributable income tax	(316,627)	(316,627)
	<u>796,604</u>	<u>794,309</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 (2002: 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 contracts, 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.

27. AMOUNTS DUE TO SUBSIDIARIES

The amounts due to subsidiaries are unsecured and interest free. Repayment of the amounts will not be demanded within twelve months from the balance sheet date, accordingly the amounts are classified as non-current.

28. RETIREMENT BENEFIT PLANS

The Group participates in both a defined contribution scheme which is registered under the Occupational Retirement Scheme Ordinance (the "ORSO Scheme") and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance. The assets of the schemes are held separately from those of the Group in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1st December, 2000 are required to join the MPF Scheme.

The ORSO Scheme is funded by monthly contributions from both employees and the Group. The Group's contribution to this scheme is calculated at 5% of the employee's basic salary. The contributory employees' contributions are calculated at 5% of their basic salaries and the non-contributory employees are not required to make contributions to the scheme.

For members of the MPF Scheme, the Group contributes 5% of the employee's salary or HK\$1,000 per month, whichever is the lesser, to the scheme, which contribution is matched by the employees.

Where there are employees who leave the ORSO Scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions. Forfeited contributions in respect of unvested benefits of employees leaving the Group's employment cannot be used to reduce ongoing contributions. At the balance sheet date, there were no forfeited contributions available to offset future employer's contributions to this scheme (2002: Nil).

29. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group's investment properties, other properties and properties for sale with a carrying value of HK\$620 million (2002: HK\$764 million), HK\$38 million (2002: HK\$38 million) and HK\$5.3 million (2002: HK\$5.3 million) respectively were let under operating leases. Property rental income earned during the year is HK\$67.7 million (2002: HK\$75.4 million) of which HK\$65.5 million (2002: HK\$71.6 million) was derived from the letting of investment properties. A substantial portion of the Group's properties leased out comprises investment properties with committed tenants for one to three years without termination options and the rentals are fixed throughout the lease periods.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases:

	2003 HK\$	2002 HK\$
Within one year	31,649,000	37,637,000
In the second to fifth years inclusive	23,657,000	14,768,000
After five years	–	6,123,000
	<u>55,306,000</u>	<u>58,528,000</u>

30. PLEDGE OF ASSETS

At the balance sheet date, investment properties of the Group with an aggregate book value of approximately HK\$659 million (2002: HK\$823 million) were mortgaged or charged to banks for credit facilities granted to the Group.

31. CONTINGENT LIABILITIES

At the balance sheet date, the Company had issued guarantees to the extent of approximately HK\$281,200,000 (2002: HK\$281,200,000) for banking facilities granted to subsidiaries, of which approximately HK\$119,399,000 (2002: HK\$128,021,000) was utilised as at that date.

32. POST BALANCE SHEET EVENT

On 21st May, 2003, Smart Extra Holdings Limited ("Smart Extra"), a company wholly owned by Mr. Lee Teh Yee, William, a director of the Company, announced that it has acquired a total of 60,406,962 shares in the Company, representing approximately 89.15% of the shares in issue.

Smart Extra has also announced that it intends to make an unconditional cash general offer for all the issued shares in the Company not held by Smart Extra and to privatise the Company by way of a scheme of arrangement, details of which are set out in the announcement issued on that date.

3. INDEBTEDNESS

At the close of business on 30th June, 2003, being the Latest Practicable Date for the purpose of this indebtedness statement prior to the printing of this document, the Group has outstanding secured bank loans and overdrafts totalling approximately HK\$118,040,000, which were secured by certain properties of the Group and obligations under finance leases of approximately HK\$119,000.

Save as disclosed herein and apart from intra-group liabilities, as at the close of business on 30th June, 2003, 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 June, 2003.

4. PROFORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS OF THE GROUP

The following proforma statement of adjusted net assets of the Group is prepared based on the net assets of the Group as at 31st January, 2003 as shown in the audited financial statements of the Group and adjusted as follows:

	<i>HK\$'000</i>
Audited consolidated net tangible assets of the Group as at 31st January, 2003	772,599
Surplus arising on revaluation of the Group's interests in properties, adjusted for attributable taxation which would arise if the properties were to be sold at the amount of the valuation (<i>Note</i>)	<u>6,062</u>
Proforma adjusted net tangible assets of the Group after taking into account the revaluation adjustment above	<u><u>778,661</u></u>
Unaudited adjusted net tangible assets value per Share (based on 67,760,000 Shares in issue at the Latest Practicable Date)	<u><u>HK\$11.49</u></u>

Note:

The Group's investment properties in Hong Kong and Guam, U.S.A. were carried in the balance sheet at 31st January, 2003 at their open market value. Based on the valuation conducted on the Group's investment properties in Hong Kong and Guam, U.S.A. on 31st July, 2003, the deficit on revaluation of such properties attributable to the Group, after adjusting for attributable taxation, amounted to HK\$91,463,000.

The Group's land in Guam, U.S.A., properties in Hong Kong held for development and properties in Hong Kong held for sale were carried in the balance sheet at 31st January, 2003 at cost or at cost or valuation less amortisation and impairment loss recognised, where appropriate. The land in Guam held by an associate of the Group was carried in the balance sheet at cost less amortisation. Based on the valuation conducted on these properties on 31st July, 2003, the net surplus arising

on revaluation of these properties attributable to the Group, after adjusting for attributable taxation, amounted to HK\$97,525,000. Accordingly, there was a net surplus of approximately HK\$6,062,000 arising on revaluation of the Group's interest in properties, after adjusting for attributable taxation, based on their revalued amounts as at 31st July, 2003.

Three pieces of landed property of the Group in Guam, USA, all of which are bare land and untenanted, include a portion or portion(s) of wetland. The independent firm of valuers appointed by the Company to carry out valuations in respect of the prevailing market value of these properties stated that it is not the practice of the Authorities in Guam to produce a detailed wetland delineation map from which the area(s) of the wetland included in each of these three properties may be ascertained. According to the said valuers, any detailed wetland delineation map will be of limited use by reason, amongst others, of the fact that depending on the time of year and the prevailing climatic conditions, the size, shape and location of wetland would change from time to time. The Group has held these properties on a long term investment basis since their acquisition some 20 odd years ago, and has no plans to develop the same. In the premises, the Company has accepted the valuers' advice that the value of these properties be reported pursuant to the normal practice in respect of landed property of similar, if not identical nature and circumstances, i.e. value on the best and worst basis as a range. The aggregate revalued amount of these properties, on the aforesaid basis, ranged between US\$130,000 and US\$680,000. The surplus on revaluation of the Group's interest in these properties disclosed above was computed based on the Directors' best estimate of the fair value of these three pieces of land, being the average of the upper and lower limits of the professional valuations, and which amounted to US\$405,000.

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, 2003, being the date to which the latest audited consolidated financial statements of the Group were made up.

- (a) *Set out below are the Valuation Reports conducted by DTZ Debenham Tie Leung Limited in respect of the properties held by Oxford in Hong Kong. Please note that the value in respect of the aforesaid properties is carried in Hong Kong Dollars.*



Formerly C Y Leung & Company
原梁振英測量師行

20th August, 2003

The Board of Directors
Oxford Properties & Finance Limited
Unit 702, 7th Floor
Jubilee Centre
18 Fenwick Street
Wanchai
Hong Kong

Dear Sirs,

RE: PORTFOLIO VALUATION

Instructions, Purpose & Date of Valuation

We refer to your instructions for us to carry out open market valuations of the properties owned by your company and its subsidiaries (together referred to as the Group) in Hong Kong. We confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary in providing you with our opinion of the values of these properties as at 31st July, 2003.

Basis of Valuation Our valuations of the properties represent their open market values which we would define as intended to mean “an opinion of the best price at which the sale of an interest in property would have been completed unconditionally for cash consideration on the date of valuation, assuming:

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

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

Valuation Assumptions

Our valuations have been made on the assumption that the owners sell the properties on the open market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which could serve to increase the values of the properties. In addition, no forced sale situation in any manner is assumed in our valuations.

Method of Valuation

We have adopted the direct comparison approach by making reference to comparable sales transactions as available in the relevant market or where appropriate, by investment approach of valuation by considering the capitalized income derived from the existing tenancies with due provision for the reversionary income potential of the property interests.

Source of Information

We have relied to a very considerable extent on the information given by your Group and have accepted advice given to us on such matters as statutory notices, easements, tenure, lettings and floor areas and all other relevant matters. Dimensions and measurements are based on the copies of documents provided to us by your Group and are therefore only approximations. No on-site measurement has been carried out.

Land Tenure

In valuing properties the Government Leases of which expired before 30th June, 1997, we have taken into account the provisions contained in Annex III of the Joint Declaration of the Government of the United Kingdom and the Government of People’s Republic of China on the question of Hong Kong as well as in the New Territories Leases (Extension) Ordinance that such leases have been extended without premium until 30th June, 2047 and that a rent of three per cent of the rateable value is charged per annum from the date of extension.

Title Investigation

We have not been provided with copies of the title documents relating to the properties but have caused searches to be made at the Land Registry. However, we have not searched the original documents to verify ownership or to verify any lease amendments which may not appear on the copies handed to us. All documents and leases have been used for reference only and all dimensions, measurements and areas are approximate. No on-site measurement has been taken.

Site Inspection

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

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

Our valuations are summarized below and the valuation certificates are attached.

Yours faithfully,
For and on behalf of
DTZ Debenham Tie Leung Limited
Winnie Koo
Registered Professional Surveyor (G.P.)
M.H.K.I.S., M.R.I.C.S.
Director

SUMMARY OF VALUES

Property	Capital value in existing state as at 31st July, 2003
1. Jubilee Centre (Phase II), 44 Gloucester Road & 20 Fenwick Street, Wanchai, Hong Kong.	HK\$244,000,000
2. Jubilee Centre (Phase I), 18 Fenwick Street, Wanchai, Hong Kong.	HK\$142,000,000
3. Ground Floor, Flats 1 to 7 on 9th Floor, Flat Roof over 8th Floor and the Main Roof, James S. Lee Mansion, 33, 33A, 35 & 35A Carnarvon Road and 2A & 2B Prat Avenue, Tsimshatsui, Kowloon.	HK\$91,700,000
4. Shop Nos. 2 & 3 on Ground Floor, Apartment Nos. 1 to 5 on 1st Floor and Portion of Flat Roof on 1st Floor, Haiphong Mansion, 99-101 Nathan Road, 53, 54 & 55 Haiphong Road and 52 Lock Road, Tsimshatsui, Kowloon.	HK\$133,000,000
5. Oxford Commercial Building, 494-496 Nathan Road, Yaumatei, Kowloon.	HK\$53,000,000
6. World Interests Building, 8 Tsun Yip Lane, Kwun Tong, Kowloon.	HK\$23,000,000

Property	Capital value in existing state as at 31st July, 2003
7. Flat Nos. A to D on Ground Floor including Portion of Yard, Flat Nos. A to D on 1st Floor, Flat Nos. C & D on 2nd & 3rd Floors, Flat Nos. A to D on 4th Floor including Portion of Roof and 17 Car Parking Spaces on the Basement Level, Oxford Garden, 18 Cornwall Street, Kowloon Tong, Kowloon.	HK\$59,000,000
8. Ground Floor and Exterior Part of No. 568 Nathan Road and the Whole 1st Floor and Exterior Part, Kiu Kin Mansion, 566-568 Nathan Road, Mongkok, Kowloon.	HK\$38,400,000
9. Ground Floor, Fat Lee Industrial Building, 17 Hung To Road, Kwun Tong, Kowloon.	HK\$6,000,000
10. Flat A on 15th Floor and Roof, Golden Crown Court, 66-70 Nathan Road, Tsimshatsui, Kowloon.	HK\$2,200,000
11. Lot No. 1933 in Survey District No. 2, 8 Fei Ha Road, Clearwater Bay, Sai Kung, New Territories.	HK\$17,300,000
12. No. 46 Oxford Road, Kowloon Tong, Kowloon.	HK\$64,000,000
Total:	<u>HK\$873,600,000</u>

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31st July, 2003
1. Jubilee Centre (Phase II), 44 Gloucester Road & 20 Fenwick Street, Wanchai, Hong Kong	Jubilee Centre (Phase II) is a 27-storey commercial building completed in 1998. The registered site area of the subject lot is approximately 5,156.13 sq.ft. (479.02 sq.m.).	As at the date of valuation, portions of the development with a gross floor area of 61,302 sq.ft. (5,695.09 sq.m.) was leased to various tenants for various terms with the latest tenancy expiring in April 2007.	HK\$244,000,000
Section C of Inland Lot No. 2820.	The ground to 2nd floors are devoted to retailing purpose whilst 5th to 26th floors are for office purpose. Car parking facilities are provided on 3rd and 4th floors. A total of 22 car parking spaces are provided within Phase II of the development. The building is combined with Jubilee Centre (Phase I) to form a larger development. As quoted from the tenancy schedule provided by your Group, the gross floor area of the development is summarized as follows:	The total rent receivable on the retail and office units was HK\$1,070,981 per month, exclusive of rates and management fees. The total licence fee for all car parking spaces in Phases I & II was HK\$52,400 per month.	
		Approximate	
	Floor	Gross Floor Area	
		<i>sq.ft.</i>	<i>sq.m.</i>
	Ground	3,865	359.07
	1st	3,952	367.15
	2nd	4,833	449.00
	5th	2,951	274.15
	6th-19th	3,829 x 14	355.72 x 14
	20th	4,069	378.02
	21st	3,988	370.49
	22nd	3,988	370.49
	23rd	4,101	380.99
	24th	4,037	375.05
	25th	3,702	343.92
	26th	3,812	354.14
	Total:	<u>96,904</u>	<u>9,002.60</u>

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31st July, 2003
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The property is held from the Government for a term of 99 years renewable for a further term of 99 years from 15th April, 1929. The current Government rent payable for the property is HK\$72 per annum.

Notes:

- (1) The registered owner of the property is Dynasty Hotel Limited, a direct wholly owned subsidiary of the Company.
- (2) The property is subject to a Mortgage to secure general banking facilities vide Memorial No. 3252700 dated 15th December, 1986 in favour of The Hongkong and Shanghai Banking Corporation.
- (3) The property is subject to a Modification Letter vide Memorial No. 6411845 dated 22nd September, 1995.
- (4) The property is subject to a Deed of Dedication (Re: part with plan) in favour of Director of Buildings on behalf of The Government of The Hong Kong Special Administrative Region vide Memorial No. 7827695 dated 16th July, 1999.
- (5) Unit 2 on G/F, the whole of 1/F, 2/F and 23/F together with portions in Phase I were subject to tenancies. In the course of our valuation, we have apportioned the rents attributable to the subject Phase II by their floor areas and on a pro-rata basis.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31st July, 2003
2. Jubilee Centre (Phase I), 18 Fenwick Street, Wanchai, Hong Kong	Jubilee Centre (Phase I) is a 26-storey commercial building completed in 1989. The registered site area of the subject lot is approximately 4,696.87 sq.ft. (436.35 sq.m.).	As at the date of valuation, portions of the development with a gross floor area of 40,504 sq.ft. (3,762.91 sq.m.) was leased to various tenants for various terms with the latest tenancy expiring in April 2007. An office unit on 7th floor with a gross floor area of 2,864 sq.ft. (266.07 sq.m.) was owner-occupied whilst the remaining areas of the building were vacant.	HK\$142,000,000
The Remaining Portion of Inland Lot No. 2820.	The ground to 2nd floors are devoted to general retailing use whilst 6th to 25th floors are for office purpose. Car parking facilities are provided on 3rd and 4th floor, whilst 5th floor is designated as a mechanical floor. A total of 12 car parking spaces are provided within the building. This building is combined with the adjacent Jubilee Centre (Phase II) to form a larger development.	The total rent receivable on the retail and office units was HK\$732,360.90 per month, exclusive of management fees and rates. The total licence fee for the car parking spaces in Phases I & II was HK\$52,400 per month.	
	The total gross floor area of the existing property is approximately 66,197 sq.ft. (6,149.85 sq.m.).		
	The property is held from the Government for a term of 99 years renewable for a further term of 99 years from 15th April, 1929. The current Government rent payable for the property is HK\$198 per annum.		

Notes:

- (1) The registered owner of the property is Trisight Limited, an indirect wholly owned subsidiary of the Company.
- (2) The property is subject to a Mortgage in favour of The Hongkong and Shanghai Banking Corporation vide Memorial No. 3276825 dated 12th January, 1987.
- (3) The property is subject to Deeds of Dedication (Re: part with plan) in favour of the Government of Hong Kong vide Memorial Nos. 4121966 and 7827693 dated 13th June, 1989 and 16th July, 1999 respectively.
- (4) The property is subject to Modification Letters vide Memorial Nos. 4121967 and 7827694 dated 13th June, 1989 and 16th July, 1999 respectively.
- (5) Unit 2 on G/F, the whole of 1/F, 2/F and 23/F together with portions in Phase II were subject to tenancies. In the course of our valuation, we have apportioned the rents attributable to the subject Phase I by their floor areas and on a pro-rata basis.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31st July, 2003
<p>3. Ground Floor, Flats 1 to 7 on 9th Floor, Flat Roof over 8th Floor and the Main Roof, James S. Lee Mansion, 33, 33A, 35 & 35A Carnarvon Road and 2A & 2B Prat Avenue, Tsimshatsui, Kowloon</p> <p>24/88th shares of and in Kowloon Inland Lot Nos. 7286 and 7297.</p>	<p>The property comprises the whole of ground floor, 9th floor and the main roof of a 10-storey composite building completed in 1961.</p> <p>The gross floor area of the ground floor is approximately 5,673 sq.ft. (527.03 sq.m.) including carport area of approximately 2,280 sq.ft. (211.82 sq.m.) The gross floor area of 9th floor is approximately 3,571 sq.ft. (331.75 sq.m.). The areas of flat roof and main roof are approximately 1,132 sq.ft. (105.17 sq.m.) and 3,631 sq.ft. (337.33 sq.m.) respectively.</p> <p>The property is held from the Government under Conditions of Renewal Nos. 5875 and 5876 for a term of 150 years from 24th June, 1889. The current Government rent payable for the property is part of HK\$234 per annum.</p> <p>The property is subject to an instalment of premium of part of HK\$6,712 per annum.</p>	<p>As at the date of valuation, except for a total gross floor area of 3,822 sq.ft. (355.07 sq.m.) which was vacant, the property was leased to various tenants for various terms with the latest tenancy expiring in July 2005.</p> <p>The total rent receivable was HK\$446,415 per month, exclusive of management fees and rates and excluding rent receivable from the wallshop.</p>	HK\$91,700,000

Notes:

- (1) The registered owner of the property is James S. Lee & Company Clothing Mill (H.K.) Limited, a direct 87.25% owned subsidiary of the Company.
- (2) The property is subject to a Statutory Declaration by John Wei as in Loss of Title Deeds vide Memorial No. 1775189 dated 17th October, 1979.
- (3) The property is subject to a Declaration by John Wei vide Memorial No. 1885502 dated 3rd June, 1980.
- (4) According to the registered floor plan, the existing Shop 2B, 35 & 35A on ground floor is originally designated for car port use. For the purpose of our valuation, we have valued the property according to its original designated use as car port.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31st July, 2003
<p>4. Shop Nos. 2 and 3 on Ground Floor, Apartment Nos. 1 to 5 on 1st Floor and Portion of Flat Roof on 1st Floor, Haiphong Mansion, 99-101 Nathan Road, 53, 54 & 55 Haiphong Road and 52 Lock Road, Tsimshatsui, Kowloon</p> <p>9/200th shares of and in Section A of Kowloon Inland Lot No. 6520.</p>	<p>The property comprises two shop units on the ground floor and five apartments on 1st floor of a 16-storey composite building completed in 1960.</p> <p>The saleable area of shop units on the ground floor was 2,586 sq.ft. (240.25 sq.m.) and the saleable area of the first floor area was 4,372 sq.ft. (406.17 sq.m.). The area of the flat roof is approximately 206 sq.ft. (19.14 sq.m.).</p> <p>The property is held from the Government under Conditions of Renewal No. 5289 for a term of 150 years from 24th June, 1889. The current Government rent payable for the subject lot is HK\$1,246 per annum.</p> <p>The lot (Re: K.I.L. 6520) is also subject to an instalment of premium of HK\$20,228 per annum.</p>	<p>As at the date of valuation, the property was leased until 23rd September, 2006.</p> <p>The current rent receivable was HK\$1,150,000 per month from 24th September, 2002 to 23rd September, 2003, exclusive of management fees and rates.</p>	<p>HK\$133,000,000</p>

Notes:

- (1) The registered owner of the property is James S. Lee & Company (Kowloon) Limited, an indirect 95% owned subsidiary of the Company.
- (2) The property is subject to a Mortgage to secure general banking facilities vide Memorial No. 3801170 dated 26th July, 1988 in favour of The Hongkong and Shanghai Banking Corporation.
- (3) The property is subject to an Order No. C/CP/7666/00/K under Section 24(1) of the Buildings Ordinance by the Building Authority with plan vide Memorial No. 8289526 dated 27th November, 2000.
- (4) The property is subject to an Order No. UBZ/U25/1413/01 under Section 24(1) of the Buildings Ordinance by the Building Authority vide Memorial No. 8905538 dated 16th October, 2002.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31st July, 2003
5. Oxford Commercial Building, 494-496 Nathan Road, Yaumatei, Kowloon Kowloon Inland Lot No. 9669.	<p>The property comprises a 24-storey commercial building completed in 1974. The registered site area of the subject lot is approximately 2,803 sq.ft. (260.41 sq.m.).</p> <p>The total gross floor area of the property is approximately 42,000 sq.ft. (3,901.90 sq.m.).</p> <p>The property is held from the Government under Conditions of Sale No. 9776 for a term of 75 years renewable for a further term of 75 years from 11th May, 1970. The current Government rent payable for the property is HK\$1.94 per annum.</p>	<p>As at the date of valuation, except 3rd, 8th – 12th, 14th, 15th, 17th, 18th, 20th, 21st and 23rd floors with a total gross floor area of approximately 21,385 sq.ft. (1,986.71 sq.m.) which was vacant, the property was leased to various tenants for two years with latest tenancy expiring in March 2005.</p> <p>The total rent receivable was HK\$292,969 per month, exclusive of management fees and rates.</p>	HK\$53,000,000

Notes:

- (1) The registered owner of the property is Dynasty Hotel Limited, a direct wholly owned subsidiary of the Company.
- (2) The property is subject to a Modification Letter vide Memorial No. 1404059 dated 18th June, 1977.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31st July, 2003
6. World Interests Building, 8 Tsun Yip Lane, Kwun Tong, Kowloon	The property comprises a 15-storey industrial building completed in 1982. The registered site area of the subject lot is approximately 8,000 sq.ft. (743.22 sq.m.).	As at the date of valuation, except an area of 47,160 sq.ft. (4,381.27 sq.m.) which was vacant, the property was leased to various tenants on monthly basis or for terms of one to two years with the latest tenancy expiring in September 2005.	HK\$23,000,000
Kwun Tong Inland Lot No. 18.	The total gross floor area of the property is approximately 85,800 sq.ft. (7,971.01 sq.m.).	The total rent receivable, excluding car parking space, was HK\$122,000 per month, exclusive of management fees and rates.	
	The property is held from the Government for a term of 42 years less the last three days from 1st July, 1955 and has statutorily been extended until 30th June, 2047. The current Government rent payable for the whole lot is equivalent to 3% of the rateable value for the time being of the lot.		

Notes:

- (1) The registered owner of the property is James S. Lee & Company Clothing Mill Hong Kong Limited, a direct 87.25% owned subsidiary of the Company.
- (2) The property is subject to a Statutory Declaration by John Wei as Loss of Title Deeds vide Memorial No. 1775189 dated 17th October, 1979.
- (3) The property is subject to a Declaration by John Wei vide Memorial No. 1885502 dated 3rd June, 1980.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31st July, 2003
7. Flat Nos. A to D on Ground Floor including Portion of Yard, Flat Nos. A to D on 1st Floor, Flat Nos. C & D on 2nd & 3rd Floors, Flat Nos. A to D on 4th Floor including Portion of Roof and 17 Car Parking Spaces on the Basement Level, Oxford Garden, 18 Cornwall Street, Kowloon Tong, Kowloon 336/421st shares of and in New Kowloon Inland Lot No. 5285.	<p>The property comprises 16 units and 17 car parking spaces of a 5-storey residential building completed in 1977.</p> <p>The total gross floor area of the property is approximately 26,374 sq.ft. (2,450.20 sq.m.) and the total saleable area is approximately 21,236 sq.ft. (1,972.87 sq.m.).</p> <p>The property is held from the Government under Conditions of Sale No. 9753 for a term of 99 years less three days from 1st July, 1898 and has statutorily been extended until 30th June, 2047. The current Government rent payable for the whole lot is equivalent to 3% of the rateable value for the time being of the lot.</p>	<p>As at the date of valuation, except an area of 13,246 sq.ft. (1,230.58 sq.m.) which was vacant, the property was leased to various tenants or for terms of one to two years with the latest tenancy expiring in July 2005.</p> <p>The total rent receivable was HK\$184,100 per month, mostly exclusive of management fee but inclusive of rates and parking fees.</p>	HK\$59,000,000

Notes:

- (1) The registered owner of the property is Dynasty Hotel Limited, a direct wholly owned subsidiary of the Company.
- (2) The property is subject to a Mortgage to secure general banking facilities in favour of the Wing Hang Bank Limited vide Memorial No. 3989699 dated 23rd January, 1989.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31st July, 2003
8. Ground Floor and Exterior Part of No. 568 Nathan Road and the Whole 1st Floor and Exterior Part, Kiu Kin Mansion, 566-568 Nathan Road, Mongkok, Kowloon 12/88th shares of and in the Remaining Portions of Kowloon Inland Lot Nos. 2361 and 1462.	<p>The property comprises a ground floor shop and the whole of the 1st floor of a 20-storey commercial building completed in 1964.</p> <p>The saleable area of the ground floor is approximately 1,925 sq.ft. (178.84 sq.m.) whilst the saleable area of the first floor is approximately 3,509 sq.ft. (325.99 sq.m.).</p> <p>The property is held from the Government for a term of 75 years renewable for a further term of 75 years from 27th February, 1922. The current Government rent payable for the property is HK\$110,160 per annum.</p>	<p>At the date of valuation, the ground floor was leased for a term of 2 years expiring in March, 2005. The first floor was leased for a term of 5 years expiring in December 2005.</p> <p>The current rents receivable of ground floor and 1st floor were HK\$255,000 and HK\$50,000 per month respectively, exclusive of management fees and rates.</p>	HK\$38,400,000

Note: The registered owner of the property is James S. Lee & Company Clothing Mill (H.K.) Limited, a direct 87.25% owned subsidiary of the Company.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31st July, 2003
9. Ground Floor, Fat Lee Industrial Building, 17 Hung To Road, Kwun Tong, Kowloon 2/20th shares of and in Kwun Tong Inland Lot No. 640.	<p>The property comprises the ground floor of a 14-storey industrial building completed in 1971.</p> <p>The gross floor area of the property is approximately 9,881 sq.ft. (917.97 sq.m.).</p> <p>The property is held from the Government for a term of 99 years from 1st July, 1898 and has statutorily been extended until 30th June, 2047. The current Government rent payable for the whole lot is equivalent to 3% of the rateable value for the time being of the lot.</p>	<p>As at the date of valuation, the property was leased for a term of three years from 5th August, 2002 to 4th August, 2005.</p> <p>The rent receivable was HK\$75,215 per month, exclusive of management fees and rates.</p>	HK\$6,000,000

Note: The registered owner of the property is Dynasty Hotel Limited, a direct wholly owned subsidiary of the Company.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31st July, 2003
10. Flat A on 15th Floor and Roof, Golden Crown Court, 66-70 Nathan Road, Tsimshatsui, Kowloon 1/155th shares of and in the Remaining Portions of Kowloon Inland Lot Nos. 6824 and 6726.	<p>The property comprises a domestic unit on the 15th floor of a 16-storey composite building completed in 1964.</p> <p>The saleable area of the property is approximately 1,109 sq.ft. (103.03 sq.m.).</p> <p>The property is held from the Government under Conditions of Re-grant Nos. 5591 and 5459 both for a term of 150 years commencing from 24th June, 1889. The current Government rent payable for the property is HK\$12 per annum.</p> <p>The property is also subject to an instalment of premium of HK\$240 per annum.</p>	<p>As at the date of valuation, the property was leased for a term of 1 year from 1st May, 2003 to 30th April, 2004 at a monthly rent of HK\$16,500, inclusive of government rates and management fees.</p>	HK\$2,200,000

Note: The registered owner of the property is Dynasty Hotel Limited, a direct wholly owned subsidiary of the Company.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31st July, 2003
11. Lot No. 1933 in Survey District No. 2, 8 Fei Ha Road, Clearwater Bay, Sai Kung, New Territories	The property comprises a 2-storey residential building completed in 1994. The registered site area of the subject lot is approximately 12,860 sq.ft. (1,194.72 sq.m.). The building provides eight domestic units and eight car-parking spaces.	As at the date of valuation, portions of the development with a gross floor area of 1,880 sq.ft. (174.66 sq.m.) was leased for a term of 2 years from 14th July, 2003 to 13th July, 2005 at a monthly rent of HK\$20,000, inclusive of rates and management fee whilst the remaining areas were vacant.	HK\$17,300,000
Lot No. 1933 in Survey District No. 2.	The total gross floor area of the property is approximately 6,399 sq.ft. (594.48 sq.m.) and the total saleable area is approximately 5,624 sq.ft. (522.48 sq.m.). The property is held from the Government under New Grant No. 3523 for a term of 99 years less the last three days commencing from 1st July, 1898 and had statutorily been extended until 30th June, 2047. The current Government rent payable for the property is HK\$150.		

Notes:

- (1) The registered owner of the property is James S. Lee & Company Clothing Mill (Hong Kong) Limited, a direct 87.25% owned subsidiary of the Company.
- (2) The property is subject to a Deed of Variation in favour of James S. Lee & Company Clothing Mill (Hong Kong) Limited vide Memorial No. 96518 dated 10th May, 1980.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31st July, 2003
12. No. 46 Oxford Road, Kowloon Tong, Kowloon	The property comprises a cleared site with a registered site area of approximately 13,827 sq.ft. (1,284.56 sq.m.).	As at the date of valuation, the property was vacant.	HK\$64,000,000
New Kowloon Inland Lot No. 4153.	The site is roughly trapezoidal in shape with a west boundary of approximately 98.42 ft. (30.00 m.) fronting onto Oxford Road and a north boundary of approximately 149.50 ft. (45.57 m.) fronting onto Hereford Road. The remaining boundaries of the site abut onto a scavenging lane and the adjoining building lot respectively.		
	The property is held from the Government for a term of 75 years from 1st July, 1898 and renewable for a further term of 24 years and had been statutorily extended to 30th June, 2047. The total current Government Rent payable for the property is equivalent to 3% of the rateable value for the time being of the lot.		

Note: The registered owner of the property is Bermuda Consultants Limited, an indirect wholly owned subsidiary of the Company.

- (b) Set out below are the Valuation Reports conducted by Micronesian Appraisal Associates, Inc. in respect of the properties held by Oxford in Guam, U.S.A.. Please note that the value in respect of the aforesaid properties is carried in U.S. Dollars.

Micronesian Appraisal Associates, Inc.

Real Estate Appraisal and Consultation

July 31, 2003

Oxford Properties & Finance, Ltd.
7th Floor Jubilee Centre
18 Fenwick Street
Wanchai, Hongkong

Subject: Aspac Industrial Park, Harmon, Guam
Appraisal of Lot 5163-R1, Municipality of Dededo, Island of Guam

Dear Sir,

As requested and per the terms of our engagement letter, we have conducted an appraisal of the property listed above. The assignment is to estimate the current market value of the fee simple interest in the subject property in its "as is" condition. The attached appraisal report communicates our conclusions and sets forth the methodology and data considered in our valuation. The attached is a Summary Appraisal Report prepared in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP).

The subject is the Aspac Industrial Park in Harmon, containing storage warehouse, office, and staff housing area in three separate buildings; total net leasable area is 59,196 square feet. The site contains 80,805.00 square meters, owned in fee simple, zoned M-1 Light Industrial. The property as developed contains substantial excess and surplus site area remaining vacant and idle; an estimated 75% of the site is surplus to the present improvements. The scope of this appraisal is the market value of the Fee Simple interest in the property as of July 31, 2003.

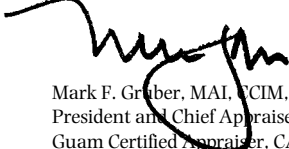
As requested and consistent with our prior appraisals, we report the value segregated by the improved portion and excess/surplus portion of the property. Based on the data, analysis and conclusions, and subject to the assumptions and limiting conditions as attached, we conclude the following market values:

<u>Value Of Improved Portion:</u>	<u>US \$ 1,300,000</u>
<u>Value Of Excess/Surplus Site:</u>	<u>US \$ 1,700,000</u>
<u>Aggregate Property Value:</u>	<u>US \$ 3,000,000</u>

The above value conclusions are subject to the Assumptions and Limiting Conditions as stated in the Addenda. The appraisers' certifications for this report are also found in the Addenda. If you have any questions on the data or our conclusions, please contact us.

Respectfully submitted,

MICRONESIAN APPRAISAL ASSOCIATES, INC.



Mark F. Gruber, MAI, FCIM, ASA
President and Chief Appraiser
Guam Certified Appraiser, CA-2000-002, Expiration February 10, 2004

194 Chalan San Antonio, Suite 202, Tamuning, Guam 96913-3508

Telephone 671 646 0234; Facsimile 671 646 0233; www.valuepacific.net

*Real Estate Appraisal and Consultation*

July 31, 2003

Oxford Properties & Finance Limited
7th Floor Jubilee Centre
18 Fenwick Street
Wanchai, Hong Kong

Subject: Tamuning Property
Lot 5148-REM EAST-R2, Municipality of Tamuning, Island of Guam

Dear Sir,

As requested, I have conducted an appraisal of the property listed above. The purpose of this appraisal is to estimate the current market value of the Leasehold interest in the subject property in its "as is" condition. The attached appraisal report communicates my conclusions and sets forth the methodology and data considered in our valuation. The attached is a Summary Appraisal Report prepared in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP).

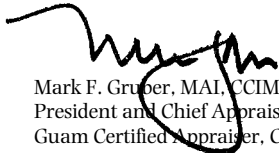
The property is a parcel of 98,476.00 square meters, zoned M-1 Light Industrial, located on the northern side of Route 10A in Tamuning. The property is leased from September 1, 1971 to August 31, 2056 (inclusive of renewal options). As of the effective date of value, there remain 53.1 years of the 85.0 year lease. The lease options are entirely at the lessee's discretion and not contingent on other events; the ground rent is fully scheduled for the duration of the lease (inclusive of renewal options). Based on the analysis and conclusions as contained in the attached report, my value conclusion of the Leasehold interest in the property as of July 31, 2003 is:

US \$1,700,000
ONE MILLION SEVEN HUNDRED THOUSAND DOLLARS

This value opinion is based on an estimated exposure time of 12 to 24 months and an estimated marketing time of 12 to 24 months.

The above conclusion is subject to the Assumptions and Limiting Conditions as stated in the Addenda. The appraisers' certifications for this report are also found in the Addenda. If you have any questions on the data or our conclusions, please contact us.

Respectfully submitted,
MICRONESIAN APPRAISAL ASSOCIATES, INC.



Mark F. Gruber, MAI, CCIM, ASA
President and Chief Appraiser
Guam Certified Appraiser, CA-2000-02, Expiration February 10, 2004.



Real Estate Appraisal and Consultation

August 07, 2003

Oxford Properties & Finance Limited
 Room 701-702
 7th Floor Jubilee Centre
 18 Fenwick Street
 Wanchai, Hong Kong

Subject: Oxford Leasehold: Pala Pala Building
 Appraisal of Lot 2025-1-1-10-1NEW, Municipality of Tamuning, Island of Guam

Dear Sir,

As requested, we have conducted an appraisal of the property listed above. The assignment is to estimate the market value of the leasehold interest in the subject property in its "as is" condition as of July 31, 2003. The attached appraisal report communicates our conclusions and sets forth the methodology and data considered in our valuation. The attached is a Summary Appraisal Report prepared in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP).

The subject property is a commercial building with concrete walls and metal roof. The building has 9,358 square feet net leasable area. The improvement is occupied by Engle's and Yi Chae Yun on the first floor. The second floor is vacant. Based on our research, the property is owned in leasehold by Oxford Properties & Finance Limited; however, this is only an appraiser's opinion. A title company should be consulted to confirm the ownership of the subject property, if desired. The legal description of the parcel, Lot 2025-1-1-10-1NEW, is different from the legal description indicated in the lease agreement Oxford has with the lessor; the reason for this is discussed in this report. The lease on Lot 2025-1-1-10-1NEW expires on October 31, 2017.

The subject does not meet current parking requirements by itself (without James Lee owned parcels to the south). However, parking regulations are seldom, if ever, enforced on Guam. Based on the history of enforcement (or lack thereof), I conclude the subject is likely to be allowed to continue to operate. This appraisal assumes the government will allow the subject to continue its current and historical use - retail, bar, residential tenants - even though it significantly under-parked. If this assumption is incorrect, the value opinion below is overstated.

A one foot diameter chunk of concrete (see photo) recently fell from the ceiling of the first floor space leased by Ms. Yi Chae Yun. I am not qualified to render an opinion as to the structural soundness of the building. I have assumed the building is structurally sound and requires no repairs other than those described in this report. If this assumption is false, the value opinion below may be overstated. An engineer should inspect the building to determine if it is structurally sound or if additional repairs are required.

Typhoon Pongsona hit Guam on December 8, 2002 and damaged the subject's roof. Since this time, the roof has not been repaired; thus, the subject requires substantial repairs.

Based on the analysis and conclusions in the report, my opinion of the market value of the leasehold interest in the property as of July 31, 2003 is:

*****U.S. \$0 (Zero Dollars)*****

This value opinion is based on an estimated exposure time of 6 to 12 months and an estimated marketing time of 6 to 12 months. The above opinion is subject to the Assumptions and Limiting Conditions as stated in the Addenda. The appraiser's certification for this report is also found in the Addenda. If you have any questions on the data or my conclusions, please contact me.

Respectfully submitted,
 MICRONESIAN APPRAISAL ASSOCIATES, INC.

Michael T. Jury, MAI, CCIM
 Vice President
 Guam Certified Appraiser, CA-02-024, Expiration February 5th, 2004.

194 Chalan San Antonio, Suite 202, Tamuning, Guam 96913

Telephone 671 646 0234; Facsimile 671 646 0233; www.valuepacific.net

INDIVIDUAL CONDOMINIUM UNIT APPRAISAL REPORT

File No. 030219 | Page #9

030219

File No. 030219

SUBJECT	Property Address Unit 823, Alupang Cove Condominium		City Tamuning		State Guam		Zip Code 96913																				
	Legal Description Unit 823, Alupang Cove Condominium		County Tamuning		Unit No. 823																						
	Assessor's Parcel No. Same as legal description		Tax Year		R.E. Taxes \$		Special Assessments \$																				
	Project Name/Phase No. Alupang Cove Condominium		Map Reference Drawing # PLS-103T63		Census Tract																						
	Borrower Oxford Properties & Finance Limited		Current Owner Oxford Properties & Finance Limited		Occupant <input type="checkbox"/> Owner <input checked="" type="checkbox"/> Tenant <input type="checkbox"/> Vacant <input type="checkbox"/>																						
	Property rights appraised <input checked="" type="checkbox"/> Fee Simple <input type="checkbox"/> Leasehold		Monthly Home Owners' Association Unit Charge \$ 559																								
	Sales Price \$ N/A		Date of Sale N/A		Description and \$ amount of loan charges/concessions to be paid by seller None																						
	Lender/Client Oxford Properties & Finance Limited		Address 7th Floor Jubilee Centre 18 Fenwick Street, Wanchai, HK																								
	Appraiser Vance L. Reklai		Address 194 Chalan San Antonio, Suite 202, Tamuning, GU 96913																								
	NEIGHBORHOOD	Location <input type="checkbox"/> Urban <input checked="" type="checkbox"/> Suburban <input type="checkbox"/> Rural		Predominant single family occupancy		Single family housing		Predominant condominium occupancy		Condominium housing																	
Built up <input type="checkbox"/> Over 75% <input checked="" type="checkbox"/> 25-75% <input type="checkbox"/> Under 25%		<input checked="" type="checkbox"/> Owner		PRICE \$ (000) AGE (yrs)		<input checked="" type="checkbox"/> Owner		PRICE \$ (000) AGE (yrs)																			
Growth rate <input type="checkbox"/> Rapid <input checked="" type="checkbox"/> Stable <input type="checkbox"/> Slow		<input type="checkbox"/> Tenant		160 Low New		<input type="checkbox"/> Tenant		62 Low New																			
Property values <input type="checkbox"/> Increasing <input checked="" type="checkbox"/> Stable <input type="checkbox"/> Declining		<input checked="" type="checkbox"/> Vacant (0-5%)		996 High 25		<input checked="" type="checkbox"/> Vacant (0-5%)		350 High 25																			
Demand/supply <input type="checkbox"/> Shortage <input type="checkbox"/> In balance <input checked="" type="checkbox"/> Over supply		<input type="checkbox"/> Vacant (over 5%)		Predominant		<input type="checkbox"/> Vacant (over 5%)		Predominant																			
Marketing time <input type="checkbox"/> Under 3 mos. <input checked="" type="checkbox"/> 3-6 mos. <input type="checkbox"/> Over 6 mos.		180 15		140 10																							
Present land use %: One Family 35, 2-4 Family 5, Apartments 15, Condominium 25, Commercial 10, Industrial, Vacant 10, Other																											
Land use change: <input checked="" type="checkbox"/> Not likely <input type="checkbox"/> Likely <input type="checkbox"/> In process to																											
Note: Race and the racial composition of the neighborhood are not appraisal factors.																											
Neighborhood boundaries and characteristics: The subject neighborhood is bounded by Jonestown and Oka Towers to the north, Agana Bay to the south, Route 30 to the east, and Pacific Ocean to the west.																											
SITE	Specific zoning classification and description R-2, Multi-family residential		Topography Level to gradually sloping																								
	Zoning compliance <input checked="" type="checkbox"/> Legal <input type="checkbox"/> Legal nonconforming (Grandfathered use) <input type="checkbox"/> Illegal <input type="checkbox"/> No zoning		Size Average for area																								
	Highest and best use as improved <input checked="" type="checkbox"/> Present use <input type="checkbox"/> Other use (explain)		Density Average																								
	Utilities Public Other		Off-site Improvements Type Public Private		View Island/ocean																						
	Electricity <input checked="" type="checkbox"/>		Street Asphalt paved <input checked="" type="checkbox"/>		Drainage Appears adequate																						
	Gas <input type="checkbox"/> Private bottled		Curb/gutter None <input type="checkbox"/>		Apparent easements None Observed																						
	Water <input type="checkbox"/>		Sidewalk None <input type="checkbox"/>		FEMA Special Flood Hazard Area <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No																						
	Sanitary sewer <input checked="" type="checkbox"/>		Street lights Incandescent <input checked="" type="checkbox"/>		FEMA Zone C Map Date 11-15-85																						
	Storm sewer <input checked="" type="checkbox"/>		Alley None <input type="checkbox"/>		FEMA Map No. 660001 0034 B																						
	Comments (apparent adverse easements, encroachments, special assessments, slide areas, illegal or legal nonconforming zoning use, etc.): No apparent adverse environmental conditions were noted on or near the site.																										
PROJECT IMPROVEMENTS	No. of Stories 8		Exterior Walls Conc.		If Project Completed:		If Project Incomplete:		Subject Phase:																		
	No. of Elevator(s) 3		Roof Surface Conc.		Total No. of Phases 1		Total No. of Planned Phases		Total No. of Units 1																		
	Existing/Proposed Ext.		Total No. of Parking 260		Total No. of Units 214		Total No. of Planned Units		Total No. of Units Completed 214																		
	If conversion, orig. use N/A		Ratio (spaces/units) 1.21		Total No. of Units for Sale 10		Total No. of Units for Sale		Total No. of Units for Sale 10																		
	Date of Conversion N/A		Type Open		Total No. of Units Sold 214		Total No. of Units Sold		Total No. of Units Sold 214																		
	Age (Yrs.) 25		Guest Parking Unknown		Total No. of Units Rented Unknown		Total No. of Units Rented		Total No. of Units Rented Unknown																		
	Effective Age (Yrs.) 25		Data Source HPR/MLS		Data Source		Data Source		Data Source HPR/MLS																		
	Project Type: <input checked="" type="checkbox"/> Primary Residence <input type="checkbox"/> Second Home or Recreational <input type="checkbox"/> Row or Townhouse <input type="checkbox"/> Garden <input type="checkbox"/> Midrise <input type="checkbox"/> Highrise <input type="checkbox"/>		Condition of the project, quality of construction, unit mix, appeal to market, etc.: Condition of project is average. Quality of construction is average to good. Unit mix is comprised of 32 studio types, 88 one bedroom units, 94 two bedroom units																								
	Are the heating and cooling for the individual units separately metered? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		If no, describe and comment on compatibility to other projects in market area and market acceptance:																								
	Common elements and recreational facilities: Pool, security gate and guard, playground, bbq area, and lobby area																										
Are the common elements completed? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		Is the Builder/Developer in control of the Home Owners' Association? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No																									
Are any common elements leased to or by the Home Owners' Association? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		If yes, attach addendum describing rental terms and options.																									
SUBJECT UNIT	Basement		Foyer		Living		Dining		Kitchen		Den		Family Rm.		Rec. Rm.		Bedrooms		# Baths		Laundry		Other		Area Sq. Ft.		
	Level 1		1		Area		1								2		2		Common				816				
	Level 2																										
	Finished area above grade contains:		4 Rooms;		2 Bedroom(s);		2 Bath(s);		816 Square Feet of Gross Living Area For Unit																		
	GENERAL DESCRIPTION		HEATING		KITCHEN EQUIP.		AMENITIES		CAR STORAGE		INSULATION																
	Floor No. 8		Type		Refrigerator <input checked="" type="checkbox"/>		Fireplace(s) # <input type="checkbox"/>		None <input type="checkbox"/>		Roof <input type="checkbox"/>																
	No. of Levels 8		Fuel		Range/Oven <input checked="" type="checkbox"/>		Patio <input type="checkbox"/>		Garage <input type="checkbox"/>		Ceiling <input type="checkbox"/>																
	INTERIOR Materials/Condition		Condition		Disposal <input checked="" type="checkbox"/>		Balcony Rear <input checked="" type="checkbox"/>		No. of Cars <input type="checkbox"/>		Walls <input type="checkbox"/>																
	Flooring Carpet/Ceramic/Avg.		COOLING Yes		Dishwasher <input checked="" type="checkbox"/>		Deck <input type="checkbox"/>		Open <input checked="" type="checkbox"/>		Floor <input type="checkbox"/>																
	Walls Drywall/Average		Central AC		Fan/Hood <input checked="" type="checkbox"/>		Porch <input type="checkbox"/>		No. of Cars 1		None <input checked="" type="checkbox"/>																
Bath Floor Ceramic/Average		Other		Microwave <input type="checkbox"/>		Fence <input type="checkbox"/>		Parking Space No. <input type="checkbox"/>		Unknown <input type="checkbox"/>																	
Bath Wainscot Ceramic/Average		Condition Average		Washer/Dryer <input type="checkbox"/>		Assigned/Owned <input type="checkbox"/>																					
Condition of the unit, depreciation, repairs needed, quality of construction, remodeling/modernization, additional features (special energy efficient items, etc.): The overall condition of the subject unit is average. Quality of construction is average to good. No repairs needed																											
Adverse environmental conditions (such as, but not limited to, hazardous wastes, toxic substances, etc.) present in the improvements, on the site, or in the immediate vicinity of the subject property: No adverse environmental conditions were noted on or near the site																											

File No. 030219 | Page #10

INDIVIDUAL CONDOMINIUM UNIT APPRAISAL REPORT

Unit Charge \$ 559.00 per mo. X 12 = \$ 6,708.00 per yr. Annual Assessment charge per year/square feet of gross living area = \$ 8.22

Is the project subject to ground rent? Yes No If yes, \$ _____ per year.

Utilities included in unit charge: None Heat Air Conditioning Electricity Gas Water Sewer

Note any fees other than regular HOA charges, for use of facilities: None known

Compared to other competitive projects of similar quality and design, the subject unit charge appears: High Typical Low

To properly maintain the project and provide the services anticipated, the budget appears: Adequate Inadequate Unknown

Management Group: Home Owners' Association Developer Management Agent (Identify) _____

Quality of management and its enforcement of Rules and Regulations based on general appearance of project appears: Adequate Inadequate

Special or unusual characteristics in the Condominium Documents or other information known to the appraiser that would affect marketability (if none, so state)

A special assessment is planned during 2002 for air condition work; the amount for a studio unit is \$6,419

ITEM	SUBJECT	COMPARABLE NO. 1	COMPARABLE NO. 2	COMPARABLE NO. 3
Address and Unit	Unit 823, Alupang Cove Condominium	Alupang Cove Condo Unit 618	Alupang Cove Condo Unit 519	Alupang Cove Condo Unit 320
Project Name	Alupang Cove Condominium	Unit 618	Unit 519	Unit 320
Proximity to Subject	Same Complex	Same Complex	Same Complex	Same Complex
Sales Price	\$ N/A	\$ 95,000	\$ 100,000	\$ 95,000
Price/Gross Liv. Area	\$ 116.42	\$ 116.42	\$ 122.55	\$ 116.42
Data and/or Verification Sources	Inspection/HPR	App'd Rob Peryon Closed w/CSB	App'd by Rich/C-R Closed w/FHB	Rich/Chief Appts
VALUE ADJUSTMENTS	DESCRIPTION	DESCRIPTION + (-) \$ Adjustment	DESCRIPTION + (-) \$ Adjustment	DESCRIPTION + (-) \$ Adjustment
Sales or Financing Concessions		Conventional	Conventional	All Cash Transaction
Date of Sale/Time		01/15/2002	02/26/2002	01/14/2003
Location	Tamuning	Tamuning	Tamuning	Tamuning
Leasehold/Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
HOA Mo. Assessment	559	545	545	559
Common Elements and Rec. Facilities	Pool, Laundry, BBQ Area, Security	Equal	Equal	Pool/BBQ/Rec Area & Securityguard
Project Size/Type	Average for area	27,118 SM	27,118 SM	27,118 SM
Floor Location	8th floor	6th floor	5th floor	3rd floor
View	Island/ocean	Island/ocean	Island/ocean	Island/ocean
Design and Appeal	Tropical	Tropical	Tropical	Tropical
Quality of Construction	Good	Average	Average	Average
Age	25	25	25	25
Condition	Average	Good	Good	Average
Above Grade Room Count	Total Bdrms Baths 4 : 2 : 2	Total Bdrms Baths 4 : 2 : 2	Total Bdrms Baths 4 : 2 : 2	Total Bdrms Baths 4 : 2 : 2
Gross Living Area	816 Sq. Ft.	816 Sq. Ft.	816 Sq. Ft.	816 Sq. Ft.
Basement & Finished Rooms Below Grade	None	None	None	None
Functional Utility	Typical	Typical	Typical	Typical
Heating/Cooling	Central AC	Central AC	Central AC	Central AC
Energy Efficient Items	None	None	None	None
Car Storage	Open	Open	Open	1-Open
Balcony, Patio, Fireplace(s), etc.	Balcony	Balcony	Balcony	Balcony
Extras	Appliances/Shfts	A pools/blnds/shfts	A ppls/shuts/blnds	Shutters/ref/stv
Net Adj. (total)		<input checked="" type="checkbox"/> + <input type="checkbox"/> - \$	<input checked="" type="checkbox"/> + <input type="checkbox"/> - \$	<input checked="" type="checkbox"/> + <input type="checkbox"/> - \$
Adjusted Sales Price of Comparable		Net % Gross % \$ 95,000	Net % Gross % \$ 100,000	Net % Gross % \$ 95,000

Comments on Sales Comparison (including the subject property's compatibility to other condominium units in the neighborhood, etc.): All comparable sales are in the same complex and similar in size. No adjustment required.

ITEM	SUBJECT	COMPARABLE NO. 1	COMPARABLE NO. 2	COMPARABLE NO. 3
Date, Price and Data Source for prior sales within year of appraisal	No prior sale within three years.	Com comparable has not sold prior within year of appraisal.	Com comparable has not sold prior within year of appraisal.	Com comparable has not sold prior within year of appraisal.

Analysis of any current agreement of sale, option, or listing of the subject property and analysis of any prior sales of subject and comparables within one year of the date of appraisal:
The appraiser is not aware of any sale, option, or listing agreement of the subject property.

INDICATED VALUE BY SALES COMPARISON APPROACH \$ 95,000

INDICATED VALUE BY INCOME APPROACH (If Applicable) Estimated Market Rent \$ 1,200 /Mo. x Gross Rent Multiplier N/A = \$

INDICATED VALUE BY COST APPROACH (Attach if Applicable) \$

This appraisal is made "as is" subject to the repairs, alterations, inspections, or conditions listed below subject to completion per plans and specifications.

Condition of Appraisal: Refer to attached addenda for other limiting conditions. The photographs are taken prior to the date of appraisal.

Final Reconciliation: In the final reconciliation, most weight is given to the sales approach since it reflects the actions of the buyers and sellers on the market.

The purpose of this appraisal is to estimate the market value of the real property that is the subject of this report, based on the above conditions and the certification, contingent and limiting conditions, and market value definition that are stated in the attached Freddie Mac Form 439/Fannie Mae Form 1004B (Revised _____).

I (WE) ESTIMATE THE MARKET VALUE, AS DEFINED, OF THE REAL PROPERTY THAT IS THE SUBJECT OF THIS REPORT, AS OF July 31, 2003

(WHICH IS THE DATE OF INSPECTION AND THE EFFECTIVE DATE OF THIS REPORT) TO BE \$ 95,000

APPRAISER: Signature: *[Signature]* Name: Vance L. Reklai Date Report Signed: August 06, 2003 State Certification #: _____ State: _____ Or State License #: LA-03-026 State GU: _____

SUPERVISORY APPRAISER (ONLY IF REQUIRED): Signature: _____ Name: _____ Date Report Signed: _____ State Certification #: _____ State: _____ Or State License #: _____

SMALL RESIDENTIAL INCOME PROPERTY APPRAISAL REPORT

030220
File No. 030220

Summary Appraisal Report

SUBJECT	Property Address Lot 5366-1-2		City Mangilao		State Guam		Zip code 96913		
	Legal Description Lot 5366-1-2				County Mangilao				
	Assessor's Parcel No. Same as legal description		Tax Year		R.E. Taxes \$		Special Assessments \$		
	Neighborhood or Project Name Corten Torres, Mangilao				Map Reference Document # 62795		Census Tract		
	Borrower N/A		Current Owner James S. Lee & Co., Guam		Occupant <input type="checkbox"/> Owner <input checked="" type="checkbox"/> Tenant <input type="checkbox"/> Vacant				
	Property rights appraised <input checked="" type="checkbox"/> Fee Simple <input type="checkbox"/> Leasehold		Project Type <input type="checkbox"/> PUD <input type="checkbox"/> Condominium		HOA \$		/Mo.		
	Sales Price \$ N/A		Date of Sale N/A		Description and \$ amount of loan charges/concessions to be paid by seller				
	Lender/Client Oxford Properties & Finance Limited		Address Room 701-702 7th Floor Jubilee Centre 18 Fernwick Street, Wanchai, HK						
	Appraiser Carlos U. Diaz		Address 194 Chalan San Antonio Suite 202, Tamuning, GU 96913-3511						
	Location <input type="checkbox"/> Urban <input checked="" type="checkbox"/> Suburban <input type="checkbox"/> Rural		Built up <input type="checkbox"/> Over 75% <input checked="" type="checkbox"/> 25-75% <input type="checkbox"/> Under 25%		Growth rate <input type="checkbox"/> Rapid <input type="checkbox"/> Stable <input checked="" type="checkbox"/> Slow		Property values <input type="checkbox"/> Increasing <input type="checkbox"/> Stable <input checked="" type="checkbox"/> Declining		Demand/supply <input type="checkbox"/> Shortage <input type="checkbox"/> In balance <input checked="" type="checkbox"/> Over supply
Marketing time <input type="checkbox"/> Under 3 mos. <input type="checkbox"/> 3-6 mos. <input checked="" type="checkbox"/> Over 6 mos.		No. stories 2		No. units 4		Age 20 +/- yrs.		Rent controls <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Likely	
Typical 2-4 family bldg. Type Tropical		Typical rents \$ 450 to \$ 800		Est. neighborhood apt. vacancy 20%		Rent controls <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Likely		If yes or likely, describe	
Predominant Single Family Occupancy <input checked="" type="checkbox"/> Owner <input type="checkbox"/> Tenant <input type="checkbox"/> Vacant (0-5%) <input type="checkbox"/> Vacant (over 5%)		Single family housing PRICE \$ (000) AGE (yrs) 80 Low New 200 High 25		Predominant 2-4 Family Occupancy <input checked="" type="checkbox"/> Owner <input type="checkbox"/> Tenant <input type="checkbox"/> Vacant (0-5%) <input type="checkbox"/> Vacant (over 5%)		2-4 family housing PRICE \$ (000) AGE (yrs) 100 Low New 300 High 20		Land use change <input checked="" type="checkbox"/> Not likely <input type="checkbox"/> Likely	
Present land use % One family 40		2-4 family 10		Multi-family 10		Commercial 10		(Other) 30	

Note: Race and the racial composition of the neighborhood are not appraisal factors.

Neighborhood boundaries and characteristics: The neighborhood is bound by Barrigada to the north, the Pacific Ocean to the south and east, and Chalan Pago to the west. The neighborhood is a mixed use neighborhood; single-family use is predominant, with numerous multi-family dwellings interspersed throughout.

Factors that affect the marketability of the properties in the neighborhood (proximity to employment and amenities, employment stability, appeal to market, etc.):

Commuting time to major employment centers is 10 to 20 minutes, average by market standards. Shopping centers and other conveniences are nearby. The overall appeal of the neighborhood is average. The subject is within walking distance of a community college. A high school and university are located on parcels adjoining the community college. Route 10, which is approximately 1/4 mile from the subject has significant commercial development including gas stations, restaurants, a bakery, and a bank.

The following available listings represent the most current, similar, and proximate competitive properties to the subject property in the subject neighborhood. This analysis is intended to evaluate the inventory currently on the market competing with the subject property in the subject neighborhood and recent price and marketing time trends affecting the subject property. (Listings outside the subject neighborhood are not considered applicable). The listing comparables can be the rental or sale comparables if they are currently for sale.

ITEM	SUBJECT	COMPARABLE LISTING NO. 1	COMPARABLE LISTING NO. 2	COMPARABLE LISTING NO. 3
Lot 5366-1-2		Lot 13 Block 3 Tract 139	215 Rizal St.	Lot 2146-1-A-3-1
Address	Mangilao	Mangilao	Dededo	Tamuning
Proximity to subject		Less than 1 mile	7 miles	4 miles
Listing price	\$ N/A	<input type="checkbox"/> Unf. <input checked="" type="checkbox"/> Furn. \$ 320,000	<input checked="" type="checkbox"/> Unf. <input type="checkbox"/> Furn. \$ 285,000	<input checked="" type="checkbox"/> Unf. <input type="checkbox"/> Furn. \$ 240,000
Approximate GBA	2,860	4,000	3,360	2,500
Data source	Inspection	MLS#1039990	MLS#10311140	MLS#10310956
# Units/Tot. rms./BR/BA	4 : 16 : 8 : 4	4 : : : :	4 : 16 : 8 : 4	4 : : : :
Approximate year built	1972	1979	1983	Unknown
Approx. days on market	N/A	180 days	30 days	60 days

Comparison of listings to subject property: Comparable listing 1 is most similar to the subject in location. Other listings within the subject neighborhood were not available. Attempts to obtain information related to room counts and living areas for listings 1 and 3 were unsuccessful. These listings suggest a ceiling to value of \$240,000 for the subject.

Market conditions that affect 2-4 family properties in the subject neighborhood (including the above neighborhood indicators of growth rate, property values, demand/supply, and marketing time) and the prevalence and impact in the subject market area regarding loan discounts, interest buydowns and concessions, and identification of trends in listing prices, average days on market and any change over past year, etc.: Multi-family property owners on Guam are generally long-term investors.

There are generally very few listings or sales island wide. Although these conditions limit the level of direct competition, indirect competition is quite high. Vacant land is available in most parts of the island for buyers to build on. Since most market participants are accustomed to building and vacant land is readily available, market prices would not be expected to rise significantly above the cost to build (less depreciation) plus the price of a comparable piece of land. Please note, in the case of larger multi-family buildings - above four units - income is generally the key determinant of values. Rents have declined over the past years and vacancies have increased.

SITE	Dimensions See attached site map.		Topography Level/Typical	
	Site area 780SM estimated net usable less easement; 841SM total		Size 780 SM net usable/Typical	
	Specific zoning classification and description R-2 Multi-family residential		Shape Slightly irregular/Not unusual	
	Zoning compliance <input checked="" type="checkbox"/> Legal <input type="checkbox"/> Legal nonconforming (Grandfathered use) <input type="checkbox"/> Illegal <input type="checkbox"/> No zoning		Drainage Appears adequate	
	Highest and best use as improved: <input checked="" type="checkbox"/> Present use <input type="checkbox"/> Other use (explain)		View None/Typical	
	Utilities Public <input checked="" type="checkbox"/> Other <input type="checkbox"/>		Landscaping None/Typical	
	Electricity Street <input checked="" type="checkbox"/> Paved <input type="checkbox"/>		Driveway Concrete	
	Gas <input type="checkbox"/> Private Bottled		Apparent easements See comments below	
	Water <input checked="" type="checkbox"/>		FEMA Special Flood Hazard Area <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
	Sanitary sewer <input checked="" type="checkbox"/>		FEMA Zone C Map Date 11-15-85	
Storm sewer <input checked="" type="checkbox"/>		FEMA Map No. 660001.0075 B		

COMMENTS	Comments (apparent adverse easements, encroachments, special assessments, slide areas, illegal or legal nonconforming zoning, use, etc.): A 10.86 foot wide easement lies along the subject's eastern boundary; this appraisal is based on the subject's net usable area of approximately 780 square meters.	

SMALL RESIDENTIAL INCOME PROPERTY APPRAISAL REPORT

General description		Exterior description (Materials/condition)				Foundation				Insulation (R-value if known)			
Units/bldgs.	4 / 1	Foundation	Reinforced Concrete/Average			Slab	Concrete on grade			<input type="checkbox"/>	Roof		
Stories	2	Exterior walls	Reinforced Concrete/Average			Crawl space	None			<input type="checkbox"/>	Ceiling		
Type (det./att.)	Attached	Roof surface	Concrete Slab/Average			Sump Pump	None			<input type="checkbox"/>	Walls		
Design (style)	Tropical	Gutters & dwnspts.	None			Dampness	None noted			<input type="checkbox"/>	Floor		
Existing/proposed	Existing	Window type	Jalousie			Settlement	None noted			<input checked="" type="checkbox"/>	None		
Under construction	No	Storm sash/Screens	None			Infestation	None noted			Adequacy			
Year Built	1972	Manufactured housing*	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			Basement	N/A % of 1st floor area			Energy efficient items:			
Effective age(yrs.)	18	*(Complies with the HUD Manufactured Housing Construction and Safety Standards.)											
Basement finish		N/A											

Units	Level(s)	Foyer	Living	Dining	Kitchen	Den	Family rm	Bedrooms	# Baths	Laundry	Other	Sq. ft./unit	Total
1	1		1 room	1 Area	1			2	1			715	715
1	1		1 room	1 Area	1			2	1			715	715
1	1		1 room	1 Area	1			2	1			715	715
1	1		1 room	1 Area	1			2	1			715	715

Improvements contain: 16 Rooms: 8 Bedroom(s): 4 Bath(s): 2,860 Square feet of GROSS BUILDING AREA

GROSS BUILDING AREA (GBA) IS DEFINED AS THE TOTAL FINISHED AREA (INCLUDING COMMON AREAS) OF THE IMPROVEMENTS BASED UPON EXTERIOR MEASUREMENTS.

Surfaces (Materials/condition)		Heating None		Kitchen equip. (# / unit-cond.)		Attic		Car Storage No. Cars	
Floors	Vinyl tile/Average	Type		Refrigerator	4/Average	<input checked="" type="checkbox"/>	None	Garage	<input type="checkbox"/>
Walls	Concrete plaster/Average	Fuel		Range/oven	4/Average	<input type="checkbox"/>	Stairs	Carport	<input type="checkbox"/>
Trim/Finish	Paint/Average	Condition		Disposal		<input type="checkbox"/>	Drop stair	Attached	<input type="checkbox"/>
Bath floor	Ceramic tile/Average			Dishwasher		<input type="checkbox"/>	Scuttle	Detached	<input type="checkbox"/>
Bath wainscot	Ceramic tile/Average	Cooling None		Fan/hood		<input type="checkbox"/>	Floor	Adequate	<input type="checkbox"/>
Doors	Wood/Average	Central		Compactor		<input type="checkbox"/>	Heated	Inadequate	<input type="checkbox"/>
		Other		Washer/dryer		<input type="checkbox"/>	Finished	Offstreet	<input type="checkbox"/>
		Condition		Microwave		<input type="checkbox"/>	Unfinished	None	<input checked="" type="checkbox"/>
Fireplace(s)	#			Intercom					

Condition of the improvements, repairs needed, quality of construction, additional features, modernization, etc.: Overall the subject improvements are in average condition, exhibiting wear and tear better than its actual age. The overall quality of construction is average. A \$6,500 penalty is assessed the subject as an estimated cost to cure to repaint the subject's exterior walls and interior walls of one unit. Additional features include concrete pads and balconies, a stairway, and security grills. A first floor unit recently became vacant and is currently being renovated; renovations to this unit include repainting interior walls, changing windows, and replacing kitchen cabinets. Two of the occupied units were renovated within the past two years (interior repainting and kitchen cabinets repainted).

Depreciation (physical, functional, and external inadequacies, etc.): The subject displays depreciation better than its actual age. Other than weak market conditions, which is reflected in our Sales Comparison and Income Analysis, no other indications of external obsolescence were noted. A penalty of \$2,000 was assessed the subject as an estimated cost to cure to connect the subject to public sewer. The home is currently utilizing a septic tank waste disposal system. Sewer is available along the subject's access road. According to Guam Public Law 21-90, any building existing at the time a public sewer first becomes available may continue to be served by a septic disposal system for a maximum period of five years. The sewer line along the subject's access has been in place for more than five years according to the Guam Environmental Protection Agency (GEPA) planning section. The subject, by exceeding the five year period, is subject to fines by GEPA as per the public law. The \$2,000 penalty is assessed, since a typical buyer would likely connect to public sewer to avoid being fined by GEPA.

Adverse environmental conditions (such as, but not limited to, hazardous wastes, toxic substances, etc.) present in the improvements, on the site, or in the immediate vicinity of the subject property: No adverse environmental conditions were apparent on or near the subject property.

VALUATION ANALYSIS			
ESTIMATED SITE VALUE			= \$ 21,000
ESTIMATED REPRODUCTION COST-NEW OF IMPROVEMENTS:			
2,860 Sq. Ft. @ \$ 70.00	= \$	200,200	
Sq. Ft. @ \$	= \$		
Sq. Ft. @ \$	= \$		
Sq. Ft. @ \$	= \$		
Sq. Ft. @ \$	= \$		
Grills/Railing	= \$	10,400	
Special Energy Efficient Items	= \$		
Porches, Patios, etc. Pads/Balconies/Stairs	= \$	5,870	
Total Estimated Cost New	= \$	216,470	
Less			
Depreciation 75,217 2,000	= \$	77,217	
Depreciated Value of Improvements	= \$	139,253	
"As is" Value of Site Improvements	= \$	0	
INDICATED VALUE BY COST APPROACH	= \$	160,253	


SMALL RESIDENTIAL INCOME PROPERTY APPRAISAL REPORT

At least three rental comparables should be reported and analyzed in this section. The rental comparables should represent the most current rental information on properties as similar and proximate to the subject property as possible. (This comparison is based on current rental data, therefore, the rental comparables typically are not the same comparables used in the sales comparison analysis.) The appraisal report should assure the reader that the units and properties selected as comparables are comparable to the subject property (both the units and the overall property) and accurately represent the rental market for the subject property (unless otherwise stated within the report).

ITEM	SUBJECT		COMPARABLE RENTAL NO. 1			COMPARABLE RENTAL NO. 2			COMPARABLE RENTAL NO. 3																																																																										
Address	Lot 5366-1-2 Mangilao		Taitano Rental Mangilao			Stephanie's Apartment Mangilao			University Regents Apartments Mangilao																																																																										
Proximity to subject			Same street			Less than 1/2 mile			Less than 1 mile																																																																										
Lease dates (if available)	See leases below.		Not known			Not known			Not known																																																																										
Rent survey date	January 2003		January 2003			January 2003			January 2003																																																																										
Data source	Inspection		Neighborhood survey			Neighborhood survey			Neighborhood survey																																																																										
Rent concessions	None		None			None			None																																																																										
Description of property-units, design, appeal, age, vacancies, and conditions	No. Units 4 No. Vac. 1		No. Units 4 No. Vac. 1 Yr. Blt.: 1975			No. Units 4 No. Vac. 0 Yr. Blt.: 1992			No. Units 4 No. Vac. 0 Yr. Blt.: 1968																																																																										
	Yr. Blt.: 1972		Tropical 2 story fourplex			Tropical 2 story fourplex			Tropical 2 story fourplex																																																																										
	Tropical																																																																																		
	Average appeal		Average appeal			Average appeal			Average appeal																																																																										
	Average quality		Average quality			Average quality			Average quality																																																																										
Individual unit breakdown	Average condition		Average condition			Average condition			Average condition																																																																										
	Rm. Count	Size	Rm. Count	Size	Total Monthly Rent	Rm. Count	Size	Total Monthly Rent	Rm. Count	Size	Total Monthly Rent																																																																								
	Tot Br Ba Sq. Ft.	Tot Br Ba Sq. Ft.	Tot Br Ba Sq. Ft.	Tot Br Ba Sq. Ft.		Tot Br Ba Sq. Ft.	Tot Br Ba Sq. Ft.		Tot Br Ba Sq. Ft.	Tot Br Ba Sq. Ft.																																																																									
	4 2 1 715	4 2 1 725	550	4 2 1 728	600	4 2 1 823	500																																																																												
	4 2 1 715	4 2 1 725	550	4 2 1 728	600	4 2 1 823	500																																																																												
4 2 1 715	4 2 1 725	Vacant	4 2 1 728	600	4 2 1 823	500																																																																													
Utilities, furniture, and amenities included in rent	Appliances (range and refrigerator) included in rent. Security grills.		Appliances (range and refrigerator) included in rent. Panel type typhoon shutters.			Appliances (range and refrigerator) included in rent. Panel type typhoon shutters.			Appliances (range and refrigerator) included in rent. Panel type typhoon shutters.																																																																										
Functional utility, basement, heating/cooling, project amenities, etc.	Typical functional utility.		Typical functional utility.			Typical functional utility. Ceiling fans and 1 window AC unit per unit.			Typical functional utility.																																																																										
<p>Analysis of rental data and support for estimated market rents for the individual subject units (including the adjustments used, the adequacy of comparables, rental concessions, etc.)</p> <p>Comparable 1 is located along the subject's street. The floor plan of this fourplex is identical to the subject, with only slight differences in living area and age. No utilities are included in the rent; this comparable includes panel type typhoon shutters. The subject has no typhoon shutters. The adjusted rental indication is \$500.</p> <p>Comparable 2 is located less than 1/2 mile from the subject. The floor plan of this fourplex is similar to the subject, with only a slight differences in living area. This comparable is relatively newer than the subject and in better condition. No utilities are included in the rent; this comparable includes panel type typhoon shutters and one window air conditioner per unit. The adjusted rental indication is \$500.</p> <p>Comparable 3 is located less than 1 mile from the subject. This fourplex has a 2 bedroom 1 bath floor plan, with superior living area to the subject. No utilities are included in the rent; this comparable includes panel type typhoon shutters. The condition of rent comp 3 is inferior to the subject's condition, which off sets its superior living area and shutter amenity. The rental indication is \$500.</p>																																																																																			
<p>Subject's rent schedule The rent schedule reconciles the applicable indicated monthly market rents to the appropriate subject unit, and provides the estimated rents for the subject property. The appraiser must review the rent characteristics of the comparable sales to determine whether estimated rents should reflect actual or market rents. For example, if actual rents were available on the sales comparables and used to derive the gross rent multiplier (GRM), actual rents for the subject should be used. If market rents were used to construct the comparables' rents and derive the GRM, market rents should be used. The total gross estimated rent must represent rent characteristics consistent with the sales comparable data used to derive the GRM. The total gross estimated rent is not adjusted for vacancy.</p>																																																																																			
<table border="1"> <thead> <tr> <th rowspan="3">Unit</th> <th colspan="2">LEASES</th> <th rowspan="3">No. Units Vacant</th> <th colspan="2">ACTUAL RENTS</th> <th rowspan="3">Total Rents</th> <th colspan="2">ESTIMATED RENTS</th> <th rowspan="3">Total Rents</th> </tr> <tr> <th colspan="2">Lease Date</th> <th colspan="2">Per Unit</th> <th colspan="2">Per Unit</th> </tr> <tr> <th>Begin</th> <th>End</th> <th>Unfurnished</th> <th>Furnished</th> <th>Unfurnished</th> <th>Furnished</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>N/A</td> <td>N/A</td> <td>1</td> <td>\$ 0</td> <td>\$</td> <td>\$</td> <td>\$ 500</td> <td>\$</td> <td>\$ 500</td> </tr> <tr> <td>1</td> <td>Sept. 2002</td> <td>Sept. 2003</td> <td>0</td> <td>425</td> <td></td> <td>425</td> <td>500</td> <td></td> <td>500</td> </tr> <tr> <td>1</td> <td>August 2002</td> <td>August 2003</td> <td>0</td> <td>450</td> <td></td> <td>450</td> <td>500</td> <td></td> <td>500</td> </tr> <tr> <td>1</td> <td>May 2003</td> <td>May 2004</td> <td>0</td> <td>375</td> <td></td> <td>375</td> <td>500</td> <td></td> <td>500</td> </tr> <tr> <td>4</td> <td></td> <td></td> <td>1</td> <td></td> <td></td> <td>\$ 1,250</td> <td></td> <td></td> <td>\$ 2,000</td> </tr> </tbody> </table>												Unit	LEASES		No. Units Vacant	ACTUAL RENTS		Total Rents	ESTIMATED RENTS		Total Rents	Lease Date		Per Unit		Per Unit		Begin	End	Unfurnished	Furnished	Unfurnished	Furnished	1	N/A	N/A	1	\$ 0	\$	\$	\$ 500	\$	\$ 500	1	Sept. 2002	Sept. 2003	0	425		425	500		500	1	August 2002	August 2003	0	450		450	500		500	1	May 2003	May 2004	0	375		375	500		500	4			1			\$ 1,250			\$ 2,000
Unit	LEASES		No. Units Vacant	ACTUAL RENTS		Total Rents	ESTIMATED RENTS		Total Rents																																																																										
	Lease Date			Per Unit			Per Unit																																																																												
	Begin	End		Unfurnished	Furnished		Unfurnished	Furnished																																																																											
1	N/A	N/A	1	\$ 0	\$	\$	\$ 500	\$	\$ 500																																																																										
1	Sept. 2002	Sept. 2003	0	425		425	500		500																																																																										
1	August 2002	August 2003	0	450		450	500		500																																																																										
1	May 2003	May 2004	0	375		375	500		500																																																																										
4			1			\$ 1,250			\$ 2,000																																																																										
<p>Other monthly income (itemize) <u>None</u> \$ _____</p> <p>Vacancy: Actual last year <u>75</u> % Previous year <u>50</u> % Estimated: <u>20</u> % \$ <u>4,800</u> Annually Total gross estimated rent \$ <u>2,000</u></p> <p>Utilities included in estimated rents: <input type="checkbox"/> Electric <input type="checkbox"/> Water <input type="checkbox"/> Sewer <input type="checkbox"/> Gas <input type="checkbox"/> Oil <input type="checkbox"/> Trash collection <input type="checkbox"/> On Guam tenants typically pay for all utilities.</p>																																																																																			
<p>Comments on the rent schedule, actual rents, estimated rents (especially regarding differences between actual and estimated rents), utilities, etc.: <u>According to the property management group, vacancies have been estimated at 50% for the past three years. One unit recently was vacated. The remaining three units became occupied within the past year, all on one year lease agreements. Prior to the three units becoming occupied, the property's management group was marketing the units for rent in the Multiple Listing Service, a local newspaper, and a local shopping guide. Prior vacancy was high, according to the management group, mainly due to the subject's poor exterior appearance. Prior to the occupancy of the remaining three units, the management group reduced the asking rents to \$450. Our concluded market rent is greater than the current asking rents of \$450 based on the premise of the subject being renovated (repainted); this has not been done in the past two years because of the low income generated due to high vacancy levels. Now that the units are 75% occupied and the vacant unit is being renovated and soon to be marketed for rent, rental income will be higher than the income from the past two years, which should enable the management group to pay for the exterior renovation necessary to make the subject competitive with other rental properties and command market rents when leases are to be renewed.</u></p>																																																																																			

SMALL RESIDENTIAL INCOME PROPERTY APPRAISAL REPORT

The undersigned has recited three recent sales of properties most similar and proximate to the subject property and has described and analyzed these in this analysis. If there is a significant variation between the subject and comparable properties, the analysis includes a dollar adjustment reflecting the market reaction to those items or an explanation supported by the market data. If a significant item in the comparable property is superior to, or more favorable than, the subject property, a minus (-) adjustment is made, thus reducing the adjusted sales price of the comparable property; if a significant item in the comparable property is inferior to, or less favorable than, the subject property, a plus (+) adjustment is made, thus increasing the adjusted sales price of the comparable property. ((1) Sales Price / Gross Monthly Rent)

ITEM	SUBJECT	COMPARABLE SALE NO. 1	COMPARABLE SALE NO. 2	COMPARABLE SALE NO. 3
Lot 5366-1-2		L2149-4-3-2NEW-R1	L5370-2-2-1-3	L2112A-9NEW-R1
Address	Mangilao	Tamuning	Mangilao	Tamuning
Proximity to subject		4.5 miles	Less than 1 mile	4 miles
Sales price	\$ N/A	<input checked="" type="checkbox"/> Unf. <input type="checkbox"/> Furn. \$ 270,000	<input checked="" type="checkbox"/> Unf. <input type="checkbox"/> Furn. \$ 155,000	<input checked="" type="checkbox"/> Unf. <input type="checkbox"/> Furn. \$ 155,900
Sales price per GBA		\$ 80.79	\$ 44.81	\$ 61.28
Gross monthly rent	\$ 2,000.00	\$ 2,600.00	\$ 2,000.00	\$ 2,400.00
Gross mo. rent mult. (1)		103.85	77.50	64.96
Sales price per unit	\$	\$ 67,500	\$ 38,750	\$ 38,975
Sales price per room	\$	\$ 16,875	\$ 9,688	\$ 9,744
Data and/or Verification Sources	Inspection	Rob Peryon/R&R	MLS# 1001923 Gino w/Francis/BH	MLS# 1028512 John Lin, Toda y's Re
ADJUSTMENTS	DESCRIPTION	DESCRIPTION +/- \$ Adjustment	DESCRIPTION +/- \$ Adjustment	DESCRIPTION +/- \$ Adjustment
Sales or financing concessions		All Cash Transaction	All Cash Transaction	Conventional/BOH
Date of sale/time		10/26/2002 -27,000	07/03/2002 -15,500	03/28/2003
Location	Corten Torres	Tamuning	Mangilao	Jalaquac
Leasehold/Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Site	780 SM net usable	896 SM -40,000	929 SM	467SM -20,000
View	None	Average	Average	City
Design and appeal	Tropical	Tropical	Tropical	Tropical
Quality of construction	Average	Superior -2,490	Equal	Superior -13,530
Age	18 Effective	14 Effective -14,890	30 Effective +54,960	16 Effective -4,350
Condition	Def Maint \$6,500	Superior -6,500	Superior -6,500	Superior -6,500
Gross Building Area	2,860 Sq. ft.	3,342 Sq. ft. -22,700	3,459 Sq. ft. -28,210	2,544 Sq. ft. +14,880
Unit breakdown	No. of units: Tot Br Ba Vac: 1 4 2 1 1	No. of units: Tot Br Ba Vac: 1 4 2 1 0	No. of units: Tot Br Ba Vac: 1 4 2 1 0	No. of units: Tot Br Ba Vac: 1 4 2 1 1
Basement description	N/A	None	None	None
Functional utility	Connect to Sewer	Typical -2,000	Typical -2,000	Typical -2,000
Heating/cooling	None	Wall ACs -800	None	None
Parking on/off site	Open, on site	Open	Pads -3,080	Open
Project amenities and fee (if applicable)	Stairs/Balconies/Pads	Porches/Laundry -9,170 Fence -7,670	Balc/Storage/Entries -7,320	Walk/Stairs/Balconies -10,120
Extras	Railing/Grills	Shutters/Grills -980	Stairs +1,710	None +7,000
Net Adj. (total)		<input type="checkbox"/> + <input checked="" type="checkbox"/> - : \$ 134,200	<input type="checkbox"/> + <input checked="" type="checkbox"/> - : \$ 5,940	<input type="checkbox"/> + <input checked="" type="checkbox"/> - : \$ 34,620
Adjusted sales price of comparable		Net 49.7 % Gross 49.7 % \$ 135,800	Net 3.8 % Gross 77.0 % \$ 149,060	Net 22.2 % Gross 50.3 % \$ 121,280
Comments on sales comparison (including reconciliation of all indicators of value as to consistency and relative strength and evaluation of the typical investor's/purchaser's motivation in that market): The adjustment for site, location, and view are lumped together under the site adjustment line. Comparables 1 and 2 were each adjusted down 10% due to superior market conditions during their times of sale. Comparables 1 and 3 were adjusted down \$40,000 and \$20,000 respectively due to their superior locations (closer to employment centers). (continued on next page under comments)				
ITEM	SUBJECT	COMPARABLE NO. 1	COMPARABLE NO. 2	COMPARABLE NO. 3
Date, Price and Data Source for prior sales within year of appraisal	No prior sale within one year.	Com comparable has not sold prior within year of appraisal.	Comparable has not sold prior within year of appraisal.	Comparable has not sold prior within year of appraisal.
Analysis of any current agreement of sale, option, or listing of the subject property and analysis of any prior sales of subject and comparables within one year of the date of appraisal: The appraiser is not aware of any current agreement of sale, option, or listing of the subject property.				
Total gross monthly estimated rent \$ 2,000 X gross rent multiplier (GRM) 75.77 = \$ 144,000 INDICATED VALUE BY INCOME APPROACH				
Comments on income approach (including expense ratios, if available, and reconciliation of the GRM) The GRM for the subject is reconciled to 75.77. A deferred maintenance penalty of \$6,500 was assessed the subject to repaint the subject, along with a functional penalty of \$2,000. The adjusted indicated value of the income approach is \$144,000.				
INDICATED VALUE BY SALES COMPARISON APPROACH \$ 130,000				
INDICATED VALUE BY INCOME APPROACH \$ 144,000				
INDICATED VALUE BY COST APPROACH \$ 160,253				
This appraisal is made <input checked="" type="checkbox"/> "as is" <input type="checkbox"/> subject to the repairs, alterations, inspections, or conditions listed below <input type="checkbox"/> subject to completion per plans and specifications.				
Comments and conditions of appraisal: See attached Assumptions and Limiting Conditions. See attached Appraiser's Certifications.				
Final reconciliation: The subject suffers from somewhat high levels of depreciation, weakening the reliability of the cost approach somewhat. The income approach is based on good quantity and quality data; this is based on the premise, however, that the subject is renovated. The sales comparison approach directly reflects the actions of buyers and sellers in the market, increasing its reliability. Most weight is given to the sales and income approaches, while the cost approach is given moderate weight.				
The purpose of this appraisal is to estimate the market value of the real property that is the subject of this report, based on the above conditions and the certification, contingent and limiting conditions, and market value definition that are stated in the attached Freddie Mac Form 439/Fannie Mae Form 1004B (Revised June 1993).				
I (WE) ESTIMATE THE MARKET VALUE, AS DEFINED, OF THE REAL PROPERTY THAT IS THE SUBJECT OF THIS REPORT, AS OF 07/31/2003				
(WHICH IS THE DATE OF INSPECTION AND THE EFFECTIVE DATE OF THIS REPORT) TO BE \$ US \$140,000				
APPRAISER: Signature:  Name: Carlos N. Diaz Date Report Signed: 08/06/2003 State: State Or State License #: LA-02-025 State GU				
SUPERVISORY APPRAISER (ONLY IF REQUIRED): Signature: _____ Name: _____ Date Report Signed: _____ State: _____ Or State License #: _____ State				



Real Estate Appraisal and Consultation

July 31, 2003

Oxford Properties & Finance Ltd.
7th Floor Jubilee Centre
18 Fenwick Street
Wanchai, Hong Kong

Subject: Tamuning Property
Lot 5129-2-R1, Municipality of Tamuning, Island of Guam

Dear Sir,

As requested, I have conducted an appraisal of the property listed above. The purpose of this appraisal is to estimate the current market value of the Fee Simple interest in the subject property in its "as is" condition. The attached appraisal report communicates my conclusions and sets forth the methodology and data considered in our valuation. The attached is a Summary Appraisal Report prepared in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP).

The property is a parcel of 822.00 square meters, zoned C - Commercial, located on the northern side of Route 1 in Tamuning. Based on the analysis and conclusions as contained in the attached report, my value conclusion of the fee simple interest in the property as of July 31, 2003 is:

US \$55,000
FIFTY FIVE THOUSAND DOLLARS

This value opinion is based on an estimated exposure time of 9 to 12 months and an estimated marketing time of 9 to 12 months.

The above conclusion is subject to the Assumptions and Limiting Conditions as stated in the Addenda. The appraisers' certifications for this report are also found in the Addenda. If you have any questions on the data or our conclusions, please contact us.

Respectfully submitted,
MICRONESIAN APPRAISAL ASSOCIATES, INC.



Mark F. Gruber, MAI, CCIM, ASA
President and Chief Appraiser
Guam Certified Appraiser, CA-2000-02, Expiration February 10, 2004.

*Real Estate Appraisal and Consultation*

August 07, 2003

Oxford Properties & Finance Limited
Room 701-702
7th Floor Jubilee Centre
18 Fenwick Street
Wanchai, Hong Kong

Subject: Yona Property
Lot 95-1-1, Municipality of Yona, Island of Guam

Dear Sir,

As requested, I have conducted an appraisal of the property listed above. The purpose of this appraisal is to estimate the market value of the Fee Simple interest in the subject property in its "as is" condition as of July 31, 2003. The value opinion stated below is for 100% of the fee simple interest in the subject property. The attached appraisal report communicates my conclusions and sets forth the methodology and data considered in the valuation. The attached is a Summary Appraisal Report prepared in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP).

The property is a 200,199 gross square meter parcel, located in Yona. The property contains no improvements. Based on the analysis and conclusions as contained in the attached report, my value opinion of the fee simple interest in the property as of July 31, 2003 is:

*****U.S. \$270,000 *****

U.S. TWO HUNDRED SEVENTY THOUSAND DOLLARS

This value opinion is based on an estimated exposure time of 12 to 18 months and an estimated marketing time of 12 to 18 months. The above conclusion is subject to the Assumptions and Limiting Conditions as stated in the Addenda. The appraisers' certifications for this report are also found in the Addenda. If you have any questions on the data or our conclusions, please contact us.

Respectfully submitted,
MICRONESIAN APPRAISAL ASSOCIATES, INC.



Michael T. Jury, MAI, CCIM
Vice President and Senior Appraiser
Guam Certified Appraiser, CA-02-024, Expiration February 5th, 2004

*Real Estate Appraisal and Consultation*

August 22, 2003

Oxford Properties & Finance Limited
Room 701-702
7th Floor Jubilee Centre
18 Fenwick Street
Wanchai, Hong Kong

Subject: Piti Property
Lot 250, Municipality of Piti, Island of Guam

Dear Sir,

As requested, I have conducted an appraisal of the property listed above. The purpose of this appraisal is to estimate the market value of the Fee Simple interest in the subject property in its "as is" condition as of July 31, 2003. The value opinion stated below is for 100% of the fee simple interest in the subject property. The attached appraisal report communicates my conclusions and sets forth the methodology and data considered in the valuation. The attached is a Summary Appraisal Report prepared in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP).

The property is a vacant parcel of 78,366 gross square meters, located in Piti adjacent to Shell Guam's property (formerly Gorco Oil Refinery). The National Wetland Inventory map indicates a portion of the subject property is wetland; however, the exact amount of wetlands on the property is not known, as a detailed wetland delineation map is not available.

Since there are unknowns regarding the subject's physical characteristics, I have reported my opinion of value as a range. The low end represents a worst case scenario and the upper end a best case scenario. The appraisal and attached report conform to the normal standards of professional appraisal practice; this appraisal and the attached report conform to the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute. Based on the analysis and conclusions as contained in the attached report, my value opinion of the fee simple interest in the property as of July 31, 2003 is:

Not Less Than U.S. \$20,000 and Not Greater Than U.S. \$50,000

This value opinion is based on an estimated exposure time of 9 to 15 months and an estimated marketing time of 9 to 15 months. The above conclusion is subject to the Assumptions and Limiting Conditions as stated in the Addenda. The appraisers' certifications for this report are also found in the Addenda. If you have any questions on the data or our conclusions, please contact us.

Respectfully submitted,
MICRONESIAN APPRAISAL ASSOCIATES, INC.

Michael T. Jury, MAI, CCIM
Vice President and Senior Appraiser
Guam Certified Appraiser, CA-02-024, Expiration February 5th, 2004



Real Estate Appraisal and Consultation

July 31, 2003

Oxford Properties & Finance Ltd.
7th Floor Jubilee Centre
18 Fenwick Street
Wanchai, Hong Kong

Subject: Tamuning Property
Lot 2013 REM, Municipality of Tamuning, Island of Guam

Dear Sir,

As requested, I have conducted an appraisal of the property listed above. The purpose of this appraisal is to estimate the current market value of the Fee Simple interest in the subject property in its "as is" condition. The attached appraisal report communicates my conclusions and sets forth the methodology and data considered in our valuation. The attached is a Summary Appraisal Report prepared in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP).

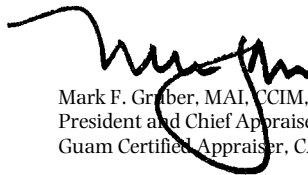
The property is a parcel of 894.80 square meters, zoned C - Commercial, located between Route 1 and Agana Bay in Tamuning. Based on the analysis and conclusions as contained in the attached report, my value conclusion of the fee simple interest in the property as of July 31, 2003 is:

US \$20,000
TWENTY THOUSAND DOLLARS

This value opinion is based on an estimated exposure time of 9 to 12 months and an estimated marketing time of 9 to 12 months.

The above conclusion is subject to the Assumptions and Limiting Conditions as stated in the Addenda. The appraisers' certifications for this report are also found in the Addenda. If you have any questions on the data or our conclusions, please contact us.

Respectfully submitted,
MICRONESIAN APPRAISAL ASSOCIATES, INC.



Mark F. Gruber, MAI, CCIM, ASA
President and Chief Appraiser
Guam Certified Appraiser, CA-2000-02, Expiration February 10, 2004.

LAND APPRAISAL REPORT

030200

File No. 030200

Summary Appraisal Report

Borrower N/A Census Tract _____ Map Reference 327 FY 71

Property Address Lot 2112A-8

City Tamuning County Tamuning State Guam Zip Code 96913

Legal Description Lot 2112A-8 Tamuning

Sale Price \$ N/A Date of Sale N/A Loan Term N/A yrs. Property Rights Appraised Fee Leasehold De Minimis PUD

Actual Real Estate Taxes \$ _____ (yr) Loan charges to be paid by seller \$ _____ Other sales concessions _____

Lender/Client Oxford Properties & Finance Limited Address Room 701-702 7th Floor Jubilee Centre 18 Fenwick Street, Wanchai, HK

Occupant Vacant Appraiser Carlos U. Diaz Instructions to Appraiser Appraise market value of the fee simple interest in the property in its "as is" condition.

NEIGHBORHOOD

Location	<input checked="" type="checkbox"/> Urban	<input type="checkbox"/> Suburban	<input type="checkbox"/> Rural	Employment Stability	Good	Avg.	Fair	Poor
Built Up	<input type="checkbox"/> Over 75%	<input checked="" type="checkbox"/> 25% to 75%	<input type="checkbox"/> Under 25%	Convenience to Employment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Growth Rate	<input type="checkbox"/> Fully Dev.	<input type="checkbox"/> Rapid	<input type="checkbox"/> Steady	Convenience to Shopping	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Property Values	<input type="checkbox"/> Increasing	<input type="checkbox"/> Stable	<input checked="" type="checkbox"/> Declining	Convenience to Schools	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Demand/Supply	<input type="checkbox"/> Shortage	<input checked="" type="checkbox"/> In Balance	<input type="checkbox"/> Oversupply	Adequacy of Public Transportation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Marketing Time	<input type="checkbox"/> Under 3 Mos.	<input checked="" type="checkbox"/> 4-6 Mos.	<input type="checkbox"/> Over 6 Mos.	Recreational Facilities	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Present Land Use	<u>25%</u> 1 Family	<u>15%</u> 2-4 Family	<u>15%</u> Apts.	Adequacy of Utilities	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<u>10%</u> Industrial	<u>10%</u> Vacant	<u>%</u>	Property Compatibility	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Change in Present Land Use	<input checked="" type="checkbox"/> Not Likely	<input type="checkbox"/> Likely (*)	<input type="checkbox"/> Taking Place (*)	Protection from Detrimental Conditions	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Predominant Occupancy	<input checked="" type="checkbox"/> Owner	<input type="checkbox"/> Tenant	<u>%</u> Vacant	Police and Fire Protection	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Single Family Price Range	\$ <u>130,000</u> to \$ <u>700,000</u>		Predominant Value \$ <u>175,000</u>	General Appearance of Properties	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Single Family Age	<u>0</u> yrs. to <u>40</u> yrs.	Predominant Age <u>25</u> yrs.		Appeal to Market	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Comments including those factors, favorable or unfavorable, affecting marketability (e.g. public parks, schools, view, noise): Tamuning is a major employment center on Guam with commercial development along most major roadways passing through the municipality. Property values in Tamuning have historically been higher than other areas of the island. Tumon, the center of Guam's tourism industry is part of the municipality, and is home to numerous hotels, restaurants and entertainment facilities, along with numerous shopping centers. The overall appeal of the neighborhood is good.

SITE

Dimensions See site map. = 7,513 Sq. Ft. or Acres Corner Lot

Zoning classification R-2 Multi-Family Residential Present Improvements do do not conform to zoning regulations

Highest and best use Present use Other (specify) See page 1 under Highest and Best Use Analysis

Elec. Public OFF SITE IMPROVEMENTS Topo Moderately sloping/Typical for area

Gas Private bottled Surface Paved Size 698 Square meters/Typical for residential use

Water Maintenance Public Private Shape Slightly irregular/Not unusual

San. Sewer Storm Sewer Curb/Gutter View City view/Good

Underground Elect. & Tel. Sidewalk Street Lights Drainage Appears adequate

Is the property located in a HUD identified Special Flood Hazard Area? No Yes

Comments (favorable or unfavorable including any apparent adverse easements, encroachments, or other adverse conditions): It appears there is a low quality semi-concrete structure on the neighboring lot. I am not a surveyor, therefore I make no guarantees regarding the location of the structure. I have assumed the structure is not on the subject. If this assumption is incorrect and the structure is actually on the subject property, this would have no impact on my final value opinion, as the cost to removing the encroachment would be the expense of the building owner.

The undersigned has recited three recent sales of properties most similar and proximate to subject and has considered these in the market analysis. The description includes a dollar adjustment reflecting market reaction to those items of significant variation between the subject and comparable properties. If a significant item in the comparable property is superior to or more favorable than the subject property, a minus (-) adjustment is made thus reducing the indicated value of subject; if a significant item in the comparable is inferior to or less favorable than the subject property, a plus (+) adjustment is made thus increasing the indicated value of the subject.

ITEM	SUBJECT PROPERTY	COMPARABLE NO. 1	COMPARABLE NO. 2	COMPARABLE NO. 3
Address	<u>Lot 2112A-8 Tamuning</u>			
Proximity to Subject				
Sales Price	\$ <u>N/A</u>	\$ _____	\$ _____	\$ _____
Price Per Square Mtr	\$ _____	\$ _____	\$ _____	\$ _____
Data Source				
Date of Sale and Time Adjustment	DESCRIPTION	DESCRIPTION	DESCRIPTION	DESCRIPTION
	<u>N/A</u>			
Location	<u>SEE ATTACHED</u>		<u>SITE VALUATION</u>	<u>CHART</u>
Site/View				
Size				
Utilities				
Access				
Zoning				
Sales or Financing Concessions				
Net Adj. (Total)	<input type="checkbox"/> + <input type="checkbox"/> - \$ _____	<input type="checkbox"/> + <input type="checkbox"/> - \$ _____	<input type="checkbox"/> + <input type="checkbox"/> - \$ _____	<input type="checkbox"/> + <input type="checkbox"/> - \$ _____
Indicated Value of Subject	Net % \$ _____	Net % \$ _____	Net % \$ _____	Net % \$ _____

Comments on Market Data: No market activity having an impact on the subject's market value since the date of the previous appraisal (April 15, 2003) was found by the appraiser.

Comments and Conditions of Appraisal: Refer to attached supplemental addendum.

RECONCILIATION

Final Reconciliation: Final value of US \$51,000 as shown in the Site Valuation Chart is for the property as though vacant.

I ESTIMATE THE MARKET VALUE AS REFINED, OF SUBJECT PROPERTY AS OF July 31, 2003 to be \$ US \$51,000

Carlos U. Diaz Appraiser(s) Did Did Not Physically Inspect Property

Review Appraiser (if applicable) _____

[Y2K]

Micronesia Appraisal Associates

Form LND - "TOTAL for Windows" appraisal software by a la mode, inc. - 1-800-ALAMODE

*Real Estate Appraisal and Consultation*

July 31, 2003

Oxford Properties & Finance Ltd.
7th Floor Jubilee Centre
18 Fenwick Street
Wanchai, Hong Kong

Subject: Tamuning Property
Lot 2029 NEW-R2, Municipality of Tamuning, Island of Guam

Dear Sir,

As requested, I have conducted an appraisal of the property listed above. The purpose of this appraisal is to estimate the current market value of the Fee Simple interest in the subject property in its "as is" condition. The attached appraisal report communicates my conclusions and sets forth the methodology and data considered in our valuation. The attached is a Summary Appraisal Report prepared in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP).

The property is a parcel of 904.00 square meters, zoned C - Commercial, located on the southern side of Route 1 in Tamuning. Based on the analysis and conclusions as contained in the attached report, my value conclusion of the fee simple interest in the property as of July 31, 2003 is:

US \$9,000
NINETHOUSAND DOLLARS

This value opinion is based on an estimated exposure time of 9 to 12 months and an estimated marketing time of 9 to 12 months.

The above conclusion is subject to the Assumptions and Limiting Conditions as stated in the Addenda. The appraisers' certifications for this report are also found in the Addenda. If you have any questions on the data or our conclusions, please contact us.

Respectfully submitted,
MICRONESIAN APPRAISAL ASSOCIATES, INC.

Mark F. Gruber, MAI, CCIM, ASA
President and Chief Appraiser
Guam Certified Appraiser, CA-2000-02, Expiration February 10, 2004.

*Real Estate Appraisal and Consultation*

July 31, 2003

Oxford Properties & Finance Limited
7th Floor Jubilee Centre
18 Fenwick Street
Wanchai, Hong Kong

Subject: Tamuning Property
Lot 2144-1B-5, Municipality of Tamuning, Island of Guam

Dear Sir,

As requested, I have conducted an appraisal of the property listed above. The purpose of this appraisal is to estimate the current market value of the Fee Simple interest in the subject property in its "as is" condition. The attached appraisal report communicates my conclusions and sets forth the methodology and data considered in our valuation. The attached is a Summary Appraisal Report prepared in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP).

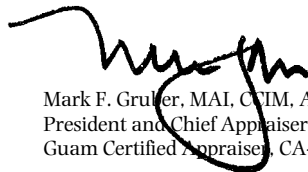
The property is a parcel of 37,258.00 square meters, zoned M-1 Light Industrial, located west of Ypao Road in Tamuning. Based on the analysis and conclusions as contained in the attached report, my value conclusion of the Fee Simple interest in the property as of July 31, 2003 is:

US \$1,100,000
ONE MILLION ONE HUNDRED THOUSAND DOLLARS

This value opinion is based on an estimated exposure time of 12 to 24 months and an estimated marketing time of 12 to 24 months.

The above conclusion is subject to the Assumptions and Limiting Conditions as stated in the Addenda. The appraisers' certifications for this report are also found in the Addenda. If you have any questions on the data or our conclusions, please contact us.

Respectfully submitted,
MICRONESIAN APPRAISAL ASSOCIATES, INC.



Mark F. Gruber, MAI, CVM, ASA
President and Chief Appraiser
Guam Certified Appraiser, CA-2000-02, Expiration February 10, 2004.



Real Estate Appraisal and Consultation

July 31, 2003

Oxford Properties & Finance Limited
7th Floor Jubilee Centre
18 Fenwick Street
Wanchai, Hong Kong

Subject: Tamuning Property
Lot 2144-1A-2, Municipality of Tamuning, Island of Guam

Dear Sir,

As requested, I have conducted an appraisal of the property listed above. The purpose of this appraisal is to estimate the current market value of the Fee Simple interest in the subject property in its "as is" condition. The attached appraisal report communicates my conclusions and sets forth the methodology and data considered in our valuation. The attached is a Summary Appraisal Report prepared in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP).

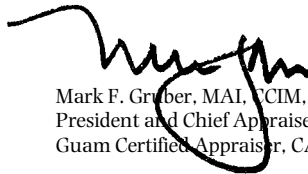
The property is a parcel of 35,329.00 square meters, zoned M-1 Light Industrial, located west of Ypao Road in Tamuning. A 4,000 square meter portion of the property was leased through December 2023; it is our understanding that the lessee has recently surrendered the leasehold premises. Based on the analysis and conclusions as contained in the attached report, my value conclusion of the Fee Simple interest in the property as of July 31, 2003 is:

US \$ 1,170,000
ONE MILLION ONE HUNDRED SEVENTY THOUSAND DOLLARS

This value opinion is based on an estimated exposure time of 12 to 24 months and an estimated marketing time of 12 to 24 months.

The above conclusion is subject to the Assumptions and Limiting Conditions as stated in the Addenda. The appraisers' certifications for this report are also found in the Addenda. If you have any questions on the data or our conclusions, please contact us.

Respectfully submitted,
MICRONESIAN APPRAISAL ASSOCIATES, INC.



Mark F. Gruber, MAI, FCIM, ASA
President and Chief Appraiser
Guam Certified Appraiser, CA-2000-02, Expiration February 10, 2004.



Real Estate Appraisal and Consultation

August 07, 2003

Oxford Properties & Finance Limited
Room 701-702
7th Floor Jubilee Centre
18 Fenwick Street
Wanchai, Hong Kong

Subject: Dandan Property
Lot B-1 and Lot B-3 & B-3REM, Municipality of Inarajan, Island of Guam

Dear Sir,

As requested, I have conducted an appraisal of the properties listed above. The attached appraisal report communicates our conclusions and sets forth the methodology and data considered in the valuation. The attached is a Summary Appraisal Report prepared in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP). The purpose of this appraisal is to estimate the market value of the fee simple interest in Lots B-3 and B-3REM and the leased fee interest in Lot B-1 in their "as is" condition as of July 31, 2003. Lot B-1 is appraised separately, as though under separate ownership.

The parcels are located in Inarajan and accessed by Dandan Road. Lot B-1 is the Talofoto Falls Park, a scenic tourist attraction consisting of cable car facilities, museum, gift shop and supporting improvements, on a parcel of 80,940 square meters. The lease has 13.4 years remaining of its original 40.0-year term. There is an option for an additional 40 years. Lot B-3 is 4,813,982 square meters and Lot B-3REM is 7,171,758 square meters. Lot B-3 and B-3REM are not under lease and are valued together, under single ownership. The subject parcels surrounds "Parcel 1," which is the former Apollo Tracking Station, and "Parcel 2," which is a collimation tower for the former Tracking Station. "Parcel 1" and "Parcel 2" are excluded from this valuation.

As of the date of this report, Calvo's Insurance Underwriters and Oxford Properties & Finance were unable to explain why the actual rental payments, which have been \$3,000 per month since 1992, have not matched the lease agreement, Instrument 275657. I have made the assumption that the original lease agreement, Instrument 275657, is still valid and has not been modified. If this assumption is incorrect and the lease payments are \$3,000 per month for the remaining term of the lease, our value opinion for Lot B-1 is \$410,000 rather than \$430,000.

The value opinion stated below is for 100% of the fee simple and leased fee interest in each property. Based on the analysis and conclusions as contained in the attached report, our value opinion of the each property as of July 31, 2003 is:

Fee Simple Interest in Lot B-3 and B-3REM, Inarajan:	U.S. \$2,200,000
Leased Fee Interest in Lot B-1, Inarajan:	U.S. \$430,000

The value opinion of Lot B-3 and B-3REM is based on an estimated exposure time of 12 to 24 months and an estimated marketing time of 12 to 24 months. The value opinion of Lot B-1 is based on an estimated exposure time of 6 to 18 months and an estimated marketing time of 6 to 18 months. The above opinions are subject to the Assumptions and Limiting Conditions as stated in the Addenda. The appraisers' certifications for this report are also found in the Addenda. If you have any questions on the data or our conclusions, please contact us.

Respectfully submitted,
MICRONESIAN APPRAISAL ASSOCIATES, INC.

Michael T. Jury, MAI, CCIM
Vice President and Senior Appraiser
Guam Certified Appraiser, CA-02-024, Expiration February 5th, 2004

*Real Estate Appraisal and Consultation*

July 31, 2003

Oxford Properties & Finance, Limited
7th Floor Jubilee Centre
18 Fenwick Street
Wanchai, Hong Kong

Subject: Tamuning Property
Lot 5148-4, Municipality of Tamuning, Island of Guam

Dear Sir,

As requested, I have conducted an appraisal of the property listed above. The purpose of this appraisal is to estimate the current market value of the Fee Simple interest in the subject property in its "as is" condition. The attached appraisal report communicates my conclusions and sets forth the methodology and data considered in our valuation. The attached is a Summary Appraisal Report prepared in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP).

The property is a parcel of 40,469.00 square meters, zoned C - Commercial, located on Route 1 in Tamuning. Based on the analysis and conclusions as contained in the attached report, my value conclusion of the Fee Simple interest in the property as of July 31, 2003 is:

US \$3,400,000
THREE MILLION FOUR HUNDRED THOUSAND DOLLARS

This value opinion is based on an estimated exposure time of 12 to 24 months and an estimated marketing time of 12 to 24 months.

The above conclusion is subject to the Assumptions and Limiting Conditions as stated in the Addenda. The appraisers' certifications for this report are also found in the Addenda. If you have any questions on the data or our conclusions, please contact us.

Respectfully submitted,
MICRONESIAN APPRAISAL ASSOCIATES, INC.

Mark F. Gruber, MAI, CCIM, ASA
President and Chief Appraiser
Guam Certified Appraiser, CA-2000-02, Expiration February 10, 2004.

Micronesian Appraisal Associates, Inc.
Real Estate Appraisal and Consultation

August 6, 2003

Oxford Properties & Finance Limited
7th Floor Jubilee Centre
18 Fenwick Street
Wanchai, Hong Kong

Subject: Appraisal of Lot 3368-RI, Municipality of Ordot-Chalan Pago, Island of Guam

Dear Sir,

At your request, I have conducted an appraisal of the property described above. The assignment is to estimate the current market value of the fee simple interest in the property in its "as is" physical condition. The attached appraisal report communicates my conclusions and sets forth the methodology and data considered in my valuation. The attached is a Summary Appraisal Report prepared in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP).

The subject lot has an area of 20,000 Square Meters (SM) located west of Ordot-Chalan Pago Elementary School. The current use at the time of inspection is vacant. Based on the analysis and conclusions as contained in the attached report, my value conclusion of the Fee Simple interest in the property as of July 31, 2003 is:

US \$100,000
ONE HUNDRED THOUSAND

This value opinion is based on an estimated exposure time of 9 to 12 months and an estimated marketing time of 9 to 12 months.

Respectfully submitted,

MICRONESIAN APPRAISAL ASSOCIATES, INC.



Vance L. Reklai
Guam Licensed Appraiser
LA #03-26 Expiration Date: January 05, 2005

194 Chalan San Antonio, Suite 202 Tamuning, GU 96913

Telephone 671 646 0234; Facsimile 671 646 0233; www.valuepacific.net

*Real Estate Appraisal and Consultation*

August 07, 2003

Oxford Properties & Finance Limited
Room 701-702
7th Floor Jubilee Centre
18 Fenwick Street
Wanchai, Hong Kong

Subject: Agat Property
Lot 450-1-2 and 450-1-R2, Municipality of Agat, Island of Guam

Dear Sir,

As requested, I have conducted an appraisal of the property listed above. The purpose of this appraisal is to estimate the market value of the Fee Simple interest in the subject property in its "as is" condition as of July 31, 2003. The parcels have been considered in assemblage, under single-ownership, only; the value of the parcels separately, under separate ownership, has not been considered. The value opinion stated below is for 100% of the fee simple interest in the subject property. The attached appraisal report communicates my conclusions and sets forth the methodology and data considered in the valuation. The attached is a Summary Appraisal Report prepared in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP).

The property is two parcels totaling 175,460 gross square meters, zoned A - Rural, located in Agat. The property contains no improvements. Based on the analysis and conclusions as contained in the attached report, my value opinion of the fee simple interest in the property as of July 31, 2003 is:

*****U.S. \$350,000 *****

U.S. THREE HUNDRED FIFTY THOUSAND DOLLARS

This value opinion is based on an estimated exposure time of 12 to 18 months and an estimated marketing time of 12 to 18 months. The above conclusion is subject to the Assumptions and Limiting Conditions as stated in the Addenda. The appraisers' certifications for this report are also found in the Addenda. If you have any questions on the data or our conclusions, please contact us.

Respectfully submitted,
MICRONESIAN APPRAISAL ASSOCIATES, INC.

Michael T. Jury, MAI, CCIM
Vice President and Senior Appraiser
Guam Certified Appraiser, CA-02-024, Expiration February 5th, 2004

*Real Estate Appraisal and Consultation*

August 07, 2003

Oxford Properties & Finance Limited
Room 701-702
7th Floor Jubilee Centre
18 Fenwick Street
Wanchai, Hong Kong

Subject: Yigo Property
Lot 7079-1, Municipality of Yigo, Island of Guam

Dear Sir,

As requested, I have conducted an appraisal of the property listed above. The purpose of this appraisal is to estimate the market value of the Fee Simple interest in the subject property in its "as is" condition as of July 31, 2003. The value opinion stated below is for 100% of the fee simple interest in the subject property. The attached appraisal report communicates my conclusions and sets forth the methodology and data considered in the valuation. The attached is a Summary Appraisal Report prepared in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP).

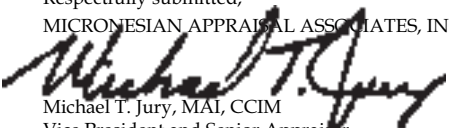
The property is a parcel of 109,996 gross square meters, located in Yigo. The property contains no improvements. Based on the analysis and conclusions as contained in the attached report, my value opinion of the fee simple interest in the property as of July 31, 2003 is:

*****U.S. \$560,000 *****

U.S. FIVE HUNDRED SIXTY THOUSAND DOLLARS

This value opinion is based on an estimated exposure time of 12 to 18 months and an estimated marketing time of 12 to 18 months. The above conclusion is subject to the Assumptions and Limiting Conditions as stated in the Addenda. The appraisers' certifications for this report are also found in the Addenda. If you have any questions on the data or our conclusions, please contact us.

Respectfully submitted,
MICRONESIAN APPRAISAL ASSOCIATES, INC.


Michael T. Jury, MAI, CCIM
Vice President and Senior Appraiser
Guam Certified Appraiser, CA-02-024, Expiration February 5th, 2004

**Real Estate Appraisal and Consultation**

July 31, 2003

Mr. Eric Chiu
Oxford Properties and Finance Limited
7th Floor Jubilee Centre, Room 701 -702, 18 Fenwick Street
Wanchai, Hong Kong

Subject: Oxford Dededo Land
Lot 5238-R4, Municipality of Dededo, Island of Guam

Dear Mr. Chiu,

As requested and per the terms of our Engagement Letter, I have conducted an appraisal of the property listed above. The assignment is to estimate the current market value of the fee simple interest in the subject property in its "as is" condition for purposes of managerial review, auditing and inclusion in public documents for disclosure including but not limited to shareholder circulars by our client. The attached appraisal report communicates my conclusions and sets forth the methodology and data considered in my valuation. The attached is a Summary Appraisal Report prepared in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP).

The property is a vacant parcel with a gross site area of 10,727 square meters (2.65 acres) located in the Macheche area of Dededo. The subject is legally described as Lot 5238-R4, Municipality of Dededo. The western boundary is encumbered by a 25' wide public access easement. The total area encumbered is approximately 1,923.00 square meters. The net usable site area of the subject property is 8,804.00 square meters. The property is zoned A-Rural, which permits single-family residential use. Based on the analysis as contained in the attached report, I conclude the fee simple interest in the property, as of July 31, 2003, is:

US\$102,000

ONE HUNDRED TWO THOUSAND DOLLARS

This conclusion is based on an exposure time and marketing period of 9 to 12 months. The above value conclusions are subject to the Assumptions and Limiting Conditions as stated in the Addenda. The appraiser's certifications for this report are also found in the Addenda. If you have any questions on the data or our conclusions, please contact us.

MICRONESIAN APPRAISAL ASSOCIATES, INC.

Darryl R. Oshiro
Vice-President and Senior Appraiser

Mark F. Gruber, MAI, CCIM, ASA
President and Chief Appraiser
Guam Certified Appraiser, CA-2002-002
Expiration February 20th, 2004

194 Chalan San Antonio, Suite 202, Tamuning, Guam 96913

Telephone 671 646 0234; Facsimile 671 646 0233; www.valuepacific.net

*Real Estate Appraisal and Consultation*

August 22, 2003

Oxford Properties & Finance Limited
Room 701-702
7th Floor Jubilee Centre
18 Fenwick Street
Wanchai, Hong Kong

Subject: Yigo Property
Lot 7044-R1, Municipality of Yigo, Island of Guam

Dear Sir,

As requested, I have conducted an appraisal of the property listed above. The purpose of this appraisal is to estimate the market value of the Fee Simple interest in the subject property in its "as is" condition as of July 31, 2003. The value opinion stated below is for 100% of the fee simple interest in the subject property. The attached appraisal report communicates my conclusions and sets forth the methodology and data considered in the valuation. The attached is a Summary Appraisal Report prepared in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP).

The property is a vacant parcel of 77,585 gross square meters, zoned A - rural, located in Yigo. An access easement encumbers 3,895 square meters of the parcel. The National Wetland Inventory maps indicate the eastern side of the subject property is wetland; however, the exact amount of wetlands on the property is not known, as a wetland delineation map is not available.

Since there are unknowns regarding the subject's physical characteristics, I have reported my opinion of value as a range. The low end represents a worst case scenario and the upper end a best case scenario. The appraisal and attached report conform to the normal standards of professional appraisal practice; this appraisal and the attached report conform to the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute. Based on the analysis and conclusions as contained in the attached report, my value opinion of the fee simple interest in the property as of July 31, 2003 is:

Not Less Than U.S. \$70,000 and Not Greater Than U.S. \$420,000

This value opinion is based on an estimated exposure time of 12 to 18 months and an estimated marketing time of 12 to 18 months. The above conclusion is subject to the Assumptions and Limiting Conditions as stated in the Addenda. The appraisers' certifications for this report are also found in the Addenda. If you have any questions on the data or our conclusions, please contact us.

Respectfully submitted,
MICRONESIAN APPRAISAL ASSOCIATES, INC.

Michael T. Jury, MAI, CCIM
Vice President and Senior Appraiser
Guam Certified Appraiser, CA-02-024, Expiration February 5th, 2004

***Real Estate Appraisal and Consultation***

July 31, 2003

Mr. Eric Chiu
Oxford Properties and Finance Limited
7th Floor Jubilee Centre, Room 701-702, 18 Fenwick Street
Wanchai, Hong Kong

Subject: *Oxford Barrigada Land*
Lot 2333-2, Municipality of Barrigada, Island of Guam

Dear Mr. Chui,

As requested and per the terms of our Engagement Letter, I have conducted an appraisal of the property listed above. The assignment is to estimate the current market value of the fee simple interest in the subject property in its "as is" condition for purposes of managerial review, auditing and inclusion in public documents for disclosure including but not limited to shareholder circulars by our client. The attached appraisal report communicates my conclusions and sets forth the methodology and data considered in my valuation. The attached is a Summary Appraisal Report prepared in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP).

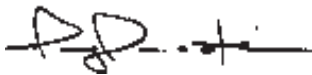
The property is a vacant parcel with an aggregate area of 6,675 square meters (1.65 acres) located in the Leyang area of Barrigada. The subject is legally described as Lot 2333-2, Municipality of Barrigada. The western and northern boundary is encumbered by a 20' wide public right-of-way easement. The total area encumbered is approximately 880.00 square meters. The net usable site area of the subject property is 5,795.00 square meters. The property is dual-zoned A-Rural and R-1 Single-Family Residential, both of which permit single-family residential use. Based on the analysis as contained in the attached report, I conclude the fee simple interest in the property, as of July 31, 2003, is:

US\$82,000

EIGHTY-TWO THOUSAND DOLLARS

This conclusion is based on an exposure time and marketing period of 9 to 12 months. The above value conclusions are subject to the Assumptions and Limiting Conditions as stated in the Addenda. The appraiser's certifications for this report are also found in the Addenda. If you have any questions on the data or our conclusions, please contact us.

MICRONESIAN APPRAISAL ASSOCIATES, INC.



Darryl R. Oshiro
Vice-President and Senior Appraiser



Mark F. Gruber, MAI, CCIM, ASA
President and Chief Appraiser
Guam Certified Appraiser, CA-2002-002
Expiration February 20th, 2004

194 Chalan San Antonio, Suite 202, Tamuning, Guam 96913

Telephone 671 646 0234; Facsimile 671 646 0233; www.valuepacific.net

*Real Estate Appraisal and Consultation*

August 07, 2003

Oxford Properties & Finance Limited
Room 701-702
7th Floor Jubilee Centre
18 Fenwick Street
Wanchai, Hong Kong

Subject: Tumon Property
Lot 5137-7-R2, Municipality of Tamuning, Island of Guam

Dear Sir,

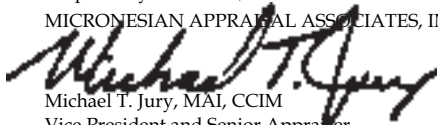
As requested, I have conducted an appraisal of the property listed above. The purpose of this appraisal is to estimate the market value of the Fee Simple interest in the subject property in its "as is" condition as of July 31, 2003. The value opinion stated below is for 100% of the fee simple interest in the subject property. The attached appraisal report communicates my conclusions and sets forth the methodology and data considered in the valuation. The attached is a Summary Appraisal Report prepared in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP).

The property is a 9,270 gross square meter parcel, zoned H - Hotel, located in Tumon. The property contains no improvements. Based on the analysis and conclusions as contained in the attached report, my value opinion of the fee simple interest in the property as of July 31, 2003 is:

*****U.S. \$650,000 *****
U.S. SIX HUNDRED FIFTY THOUSAND DOLLARS

This value opinion is based on an estimated exposure time of 12 to 18 months and an estimated marketing time of 12 to 18 months. The above conclusion is subject to the Assumptions and Limiting Conditions as stated in the Addenda. The appraisers' certifications for this report are also found in the Addenda. If you have any questions on the data or our conclusions, please contact me.

Respectfully submitted,
MICRONESIAN APPRAISAL ASSOCIATES, INC.



Michael T. Jury, MAI, CCIM
Vice President and Senior Appraiser
Guam Certified Appraiser, CA-02-024, Expiration February 5th, 2004

*Real Estate Appraisal and Consultation*

August 22, 2003

Oxford Properties & Finance Limited
Room 701-702
7th Floor Jubilee Centre
18 Fenwick Street
Wanchai, Hong Kong

Subject: Piti Property
Lot 207-5 and 207-4, Municipality of Piti, Island of Guam

Dear Sir,

As requested, I have conducted an appraisal of the property listed above. The purpose of this appraisal is to estimate the market value of the Fee Simple interest in the subject property in its "as is" condition as of July 31, 2003. The value opinion stated below is for 100% of the fee simple interest in the subject property. The attached appraisal report communicates my conclusions and sets forth the methodology and data considered in the valuation. The attached is a Summary Appraisal Report prepared in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP).

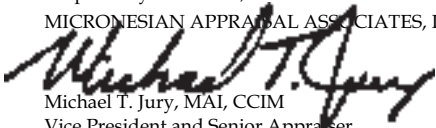
The property is a vacant parcel of 82,503 gross square meters, zoned P.U.D., located in Piti, fronting Marine Drive (Route 1). The National Wetland Inventory map indicates portions of the subject property are wetlands; however, the exact amount of wetlands on the property is not known, as a detailed wetland delineation map is not available. Also, details of the subject's P.U.D. are not known. It is unknown if there are easements encumbering Lot 207-5.

Since there are unknowns regarding the subject's physical and zoning characteristics, I have reported my opinion of value as a range. The low end represents a worst case scenario and the upper end a best case scenario. The appraisal and attached report conform to the normal standards of professional appraisal practice; this appraisal and the attached report conform to the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute. Based on the analysis and conclusions as contained in the attached report, my value opinion of the fee simple interest in the property as of July 31, 2003 is:

Not Less Than U.S. \$40,000 and Not Greater Than \$210,000

This value opinion is based on an estimated exposure time of 12 to 18 months and an estimated marketing time of 12 to 18 months. The above conclusion is subject to the Assumptions and Limiting Conditions as stated in the Addenda. The appraisers' certifications for this report are also found in the Addenda. If you have any questions on the data or our conclusions, please contact us.

Respectfully submitted,
MICRONESIAN APPRAISAL ASSOCIATES, INC.


Michael T. Jury, MAI, CCIM
Vice President and Senior Appraiser
Guam Certified Appraiser, CA-02-024, Expiration February 5th, 2004



Real Estate Appraisal and Consultation

July 31, 2003

Oxford Properties & Finance Limited
7th Floor Jubilee Centre
18 Fenwick Street
Wanchai, Hong Kong

Subject: Tamuning Property
Lot 5148-3, Municipality of Tamuning, Island of Guam

Dear Sir,

As requested, I have conducted an appraisal of the property listed above. The purpose of this appraisal is to estimate the current market value of the Leasehold interest in the subject property in its "as is" condition. The attached appraisal report communicates my conclusions and sets forth the methodology and data considered in our valuation. The attached is a Summary Appraisal Report prepared in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP).

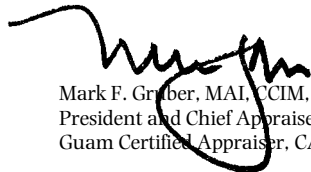
The property is a parcel of 14,824.60 square meters, zoned C - Commercial, located at the southwestern corner of the intersection of Routes 1 and 10A in Tamuning. The property is leased from February 1, 1969 to January 31, 2049 (inclusive of renewal options). As of the effective date of value, there remain 45.5 years of the 80.0 year lease. The option is solely at the lessee's discretion and not contingent on any other events; ground rent is fully scheduled through the term of the lease including renewal options. Based on the analysis and conclusions as contained in the attached report, my value conclusion of the Leasehold interest in the property as of July 31, 2003 is:

US \$1,260,000
ONE MILLION TWO HUNDRED SIXTY THOUSAND DOLLARS

This value opinion is based on an estimated exposure time of 12 to 24 months and an estimated marketing time of 12 to 24 months.

The above conclusion is subject to the Assumptions and Limiting Conditions as stated in the Addenda. The appraisers' certifications for this report are also found in the Addenda. If you have any questions on the data or our conclusions, please contact us.

Respectfully submitted,
MICRONESIAN APPRAISAL ASSOCIATES, INC.



Mark F. Gruber, MAI, CCIM, ASA
President and Chief Appraiser
Guam Certified Appraiser, CA-2000-02, Expiration February 10, 2004.

OXFORD'S LANDED PROPERTIES

SUMMARY OF VALUES

Item	Property	Appraised value as at 31st July, 2003	Held under	Group's effective interest in property	Appraised value attributable to the Group	Note	Page
1	Jubilee Centre (Phase II), 44 Gloucester Road & 20 Fenwick Street, Wanchai, Hong Kong.	HK\$244,000,000	Dynasty Hotel Limited, a direct wholly owned subsidiary of the Company	100%	HK\$244,000,000	-	97
2	Jubilee Centre (Phase I), 18 Fenwick Street, Wanchai, Hong Kong.	HK\$142,000,000	Trisight Limited, an indirect wholly owned subsidiary of the Company	100%	HK\$142,000,000	-	99
3	Ground Floor, Flats 1 to 7 on 9th Floor, Flat Roof over 8th Floor and the Main Roof, James S. Lee Mansion, 33, 33A, 35 & 35A Carnarvon Road and 2A & 2B Prat Avenue, Tsimshatsui, Kowloon.	HK\$91,700,000	James S Lee & Company Clothing Mill (Hong Kong) Limited, a 87.25% direct subsidiary of the Company	87.25%	HK\$80,008,250	-	100
4	Shop Nos. 2 & 3 on Ground Floor, Apartment Nos. 1 to 5 on 1st Floor and Portion of Flat Roof on 1st Floor, Haiphong Mansion, 99-101 Nathan Road, 53, 54 & 55 Haiphong Road and 52 Lock Road, Tsimshatsui, Kowloon.	HK\$133,000,000	James S Lee & Company (Kowloon) Limited (Note 5)	82.8875%	HK\$110,240,375	-	101
5	Oxford Commercial Building, 494-496 Nathan Road, Yaumatei, Kowloon.	HK\$53,000,000	Dynasty Hotel Limited, a direct wholly owned subsidiary of the Company	100%	HK\$53,000,000	-	102

Item	Property	Appraised value as at 31st July, 2003	Held under	Group's effective interest in property	Appraised value attributable to the Group	Note	Page
6	World Interest Building, 8 Tsun Yip Lane, Kwun Tong, Kowloon.	HK\$23,000,000	James S Lee & Company Clothing Mill (Hong Kong) Limited, a 87.25% direct subsidiary of the Company	87.25%	HK\$20,067,500	-	103
7	Flat Nos. A to D on Ground Floor including Portion of Yard, Flat Nos. A to D on 1st Floor, Flat Nos. C to D on 2nd & 3rd Floors, Flat Nos. A to D on 4th Floor including Portion of Roof and 17 Car Parking Spaces on the Basement Level, Oxford Garden, 18 Cornwall Street, Kowloon Tong, Kowloon.	HK\$59,000,000	Dynasty Hotel Limited, a direct wholly owned subsidiary of the Company	100%	HK\$59,000,000	-	104
8	Ground Floor and Exterior Part of No. 568 Nathan Road and the Whole 1st Floor and Exterior Part, Kiu Kin Mansion, 566-568 Nathan Road, Mongkok, Kowloon.	HK\$38,400,000	James S Lee & Company Clothing Mill (Hong Kong) Limited, a 87.25% direct subsidiary of the Company	87.25%	HK\$33,504,000	-	105
9	Ground Floor, Fat Lee Industrial Building, Hung To Road, Kwun Tong, Kowloon.	HK\$6,000,000	Dynasty Hotel Limited, a direct wholly owned subsidiary of the Company	100%	HK\$6,000,000	-	106
10	Flat A on 15th Floor and Roof, Golden Crown Court, 66-70 Nathan Road, Tsimshatsui, Kowloon.	HK\$2,200,000	Dynasty Hotel Limited, a direct wholly owned subsidiary of the Company	100%	HK\$2,200,000	-	107
11	Lot No. 1933 in Survey District No.2, 8 Fei Ha Road, Clearwater Bay, Sai Kung, New Territories.	HK\$17,300,000	James S Lee & Company Clothing Mill (Hong Kong) Limited, a 87.25% direct subsidiary of the Company	87.25%	HK\$15,094,250	-	108

Item	Property	Appraised value as at 31st July, 2003	Held under	Group's effective interest in property	Appraised value attributable to the Group	Note	Page
12	No. 46 Oxford Road, Kowloon Tong, Kowloon.	HK\$64,000,000	Bermuda Consultants Limited, an indirect wholly owned subsidiary of the Company	100%	HK\$64,000,000	Note 1	109
					Subtotal:		
					HK\$829,114,375		
13	Lot 5163-R1, Municipality of Dededo, Aspac Industrial Park, Island of Guam	US\$3,000,000	Oxford Properties & Finance Limited	100%	US\$3,000,000	Note 2	110
14	Lot 5148-REM EAST-R2, Municipality of Tamuning, Island of Guam	US\$1,700,000	Guam Tourist Development Co., (Note 9)	41.44%	US\$704,544	Note 2	111
15	Lot 2025-1-1-10-1 NEW, Municipality of Tamuning, Island of Guam	US\$0	James S Lee & Co (Guam) Limited, (Note 8)	82.8875%	US\$0	Note 2	112
16	Unit 823, Alupang Cove Condominium, Tamuning, Island of Guam	US\$95,000	James S Lee & Co (Guam) Limited (Note 8)	82.8875%	US\$78,743	–	113
17	Lot 5366-1-2, Mangilao, Island of Guam	US\$140,000	James S Lee & Co (Guam) Limited (Note 8)	82.8875%	US\$116,042.50	–	114
18	Lot 5129-2-R1, Municipality of Tamuning, Island of Guam	US\$55,000	Oxford Properties & Finance Limited	100%	US\$55,000	Note 2	119
19	Lot 95-1-1, Municipality of Yona, Island of Guam	US\$270,000	Oxford Properties & Finance Limited	100%	US\$270,000	Note 2	120
20	Lot 250, Municipality of Piti, Island of Guam	US\$35,000*	Oxford Properties & Finance Limited	100%	US\$35,000	Note 2	121

Item	Property	Appraised value as at 31st July, 2003	Held under	Group's effective interest in property	Appraised value attributable to the Group	Note	Page
21	Lot 2013 REM, Municipality of Tamuning, Island of Guam	US\$20,000	Oxford Properties & Finance Limited	100%	US\$20,000	Note 2	122
22	Lot 2112A-8, Tamuning, Island of Guam	US\$51,000	Oxford Properties & Finance Limited	100%	US\$51,000	–	123
23	Lot 2029 NEW-R2, Municipality of Tamuning, Island of Guam	US\$9,000	Oxford Properties & Finance Limited	100%	US\$9,000	Note 2	124
24	Lot 2144-1B-5, Municipality of Tamuning, Island of Guam	US\$1,100,000	Oxford Properties & Finance Limited	100%	US\$1,100,000	Note 2	125
25	Lot 2144-1A-2, Municipality of Tamuning, Island of Guam	US\$1,170,000	Oxford Properties & Finance Limited	100%	US\$1,170,000	Note 2	126
26	Lot B-1 and Lot B-3 & B-3 REM, Municipality of Inarajan, Island of Guam	US\$2,630,000	First Island Industry Inc., (Note 6)	43.625%	US\$1,147,337.50	Note 2	127
27	Lot 5148-4, Municipality of Tamuning, Island of Guam	US\$3,400,000	Pacific Interests Inc., a direct wholly owned subsidiary of the Company	100%	US\$3,400,000	Note 2	128
28	Lot 3368-R1, Municipality of Ordot-Chalan Pago, Island of Guam	US\$100,000	Guam United Trading Services & Financing Inc., (Note 7)	76.78%	US\$76,780	Note 2	129
29	Lot 450-1-2 and Lot 450-1-R2, Municipality of Agat, Island of Guam	US\$350,000	Guam United Trading Services & Financing Inc., (Note 7)	76.78%	US\$268,730	Note 2	130
30	Lot 7079-1, Municipality of Yigo, Island of Guam	US\$560,000	James S Lee & Co (Guam) Limited (Note 8)	82.8875%	US\$464,170	Note 2	131
31	Lot 5238-R4, Municipality of Dededo, Island of Guam	US\$102,000	James S Lee & Co (Guam) Limited (Note 8)	82.8875%	US\$84,545	Note 2	132

Item	Property	Appraised value as at 31st July, 2003	Held under	Group's effective interest in property	Appraised value attributable to the Group	Note	Page
32	Lot 7044-R1, Municipality of Yigo, Island of Guam	US\$245,000*	James S Lee & Co (Guam) Limited (<i>Note 8</i>)	82.8875%	US\$203,074	Note 2	133
33	Lot 2333-2, Municipality of Barrigada, Island of Guam	US\$82,000	James S Lee & Co (Guam) Limited (<i>Note 8</i>)	82.8875%	US\$67,968	Note 2	134
34	Lot 5137-7-R2, Municipality of Tamuning, Island of Guam	US\$650,000	James S Lee & Co (Guam) Limited (<i>Note 8</i>)	82.8875%	US\$538,769	Note 2	135
35	Lot 207-5 and Lot 207-4, Municipality of Piti, Island of Guam	US\$125,000*	James S Lee & Co (Guam) Limited (<i>Note 8</i>)	82.8875%	US\$103,609	Note 2	136
36	Lot 5148-3, Municipality of Tamuning, Island of Guam	US\$1,260,000	James S Lee & Co (Guam) Limited (<i>Note 8</i>)	82.8875%	US\$1,044,383	Note 2	137
					Subtotal:	US\$14,008,695	
						HK\$109,267,821	
					at the exchange rate of US\$1.00 to HK\$7.80 =		
					Grand Total:	HK\$938,382,196	

Note:

- Since 1997, Oxford has suspended all plans for the development and/or redevelopment of its property known as 46, Oxford Road, Kowloon Tong, Kowloon.
- Oxford has no plan to develop and/or redevelop any of the Group's Guam properties. No planning or other regulatory consent in respect of this site has been sought or obtained for development and/or redevelopment.
- It is within the understanding of Oxford that no tax is payable by the vendor in a conveyance on sale in respect of property in Guam. Save as aforesaid and save for profits tax, which solely for the purposes of the Offer and the Scheme Proposal as set out in this Composite Document and for no other purposes whatsoever, estimated at HK\$9,512,000, which in fact has to be dealt with on a case by case basis in the light of the relevant provisions as contained in the relevant laws at the relevant time, Oxford is not aware of any other heads of tax which the Group and/or any constituent members thereof would be liable to pay or discharge in the event that properties comprising the Group's Guam property portfolio are disposed of by way of sale or otherwise at the amount of the valuation and at the date of this Composite Document. It is hereby declared that the said sum of HK\$9,512,000 is an estimation for information only and is not intended to be interpreted or construed as an admission of liability on profits tax at the aforesaid estimated amount or any part thereof or at all on the part of Oxford, the Group or any of its constituent members. Accordingly, the said estimated amount of profits tax is and will be in no way binding upon Oxford, the Group and/or any of its constituent members and shall be without prejudice to any of the legal rights that the Group, Oxford and/or any of its constituent members may have, to contend that a lesser sum or no sum in respect of profits tax is to be payable in the event as outlined above.

4. Pursuant to the Stamp Duty Ordinance, Chapter 117 of the Laws of Hong Kong, parties to a conveyance on sale are all liable to pay stamp duty at the rate or rates as stipulated under the Stamp Duty Ordinance, irrespective of whether they are vendors, purchasers or otherwise. According to the understanding of Oxford, it is, however, not the usual trade practice in Hong Kong that stamp duty is borne by the vendor. In the light of the usual trade practice in Hong Kong as aforesaid, it is therefore unlikely that the Group or any constituent members thereof, as vendor, would enter into an agreement for the sale and purchase of property pursuant to which the vendor would be contractually bound to bear the stamp duty payable thereunder or any part thereof. Save as aforesaid and save for profits tax, which solely for the purposes of the Offer and the Scheme Proposal as set out in this Composite Document and for no other purposes whatsoever, estimated at HK\$18,674,000 (if estimated attributable stamp duty of HK\$30,997,000 payable on a conveyance on sale is to be excluded) or at HK\$17,867,000 (if estimated attributable stamp duty of HK\$30,997,000 payable on a conveyance on sale is to be solely borne by the Group or any of its constituent members), which in fact has to be dealt with on a case by case basis in the light of the relevant provisions as contained in the Inland Revenue Ordinance at the relevant time, Oxford is not aware of any other heads of tax which the Group and/or any constituent members thereof would be liable to pay or discharge in the event that the properties comprising the Group's Hong Kong property portfolio are disposed of by way of sale or otherwise at the amount of the valuation and at the date of this Composite Document. It is hereby declared that the said sums are estimations for information only and neither of these is intended to be interpreted or construed as an admission of liability for profits tax at the aforesaid estimated amount or any part thereof or at all on the part of Oxford, the Group or any of its constituent members. Accordingly, neither of the said estimated amounts of profits tax is and will be in any way binding upon Oxford, the Group and/or any of its constituent members and accordingly shall be without prejudice to any of the legal rights that the Group, Oxford and/or any of its constituent members may have, to contend that a lesser sum or no sum in respect of profits tax is to be payable in the event as outlined above.
 5. James S Lee & Company (Kowloon) Limited is a 95% direct subsidiary of James S Lee & Company Clothing Mill (Hong Kong) Limited. James S Lee & Company Clothing Mill (Hong Kong) Limited is a 87.25% direct subsidiary of the Company. Accordingly, the Company has an effective interest of 82.8875% in James S Lee & Company (Kowloon) Limited and the subject property.
 6. First Island Industry Inc. is a wholly owned subsidiary of James S Lee & Company Clothing Mill (Hong Kong) Limited. James S Lee & Company Clothing Mill (Hong Kong) Limited is a 87.25% direct subsidiary of the Company. Accordingly, the Company has effective interest of 87.25% in First Island Industry Inc.. As the subject property is jointly owned by an independent third party and First Island Industry Inc., the Company only accounted for 50% interest in the property and has an effective interest of 43.625% in the subject property.
 7. Guam United Trading Services & Financing Inc. is a wholly owned subsidiary of House of Fashion Limited. House of Fashion Limited is a 88% direct subsidiary of James S Lee & Company Clothing Mill (Hong Kong) Limited. James S Lee & Company Clothing Mill (Hong Kong) Limited is a 87.25% direct subsidiary of the Company. Accordingly, the Company has an effective interest of 76.78% in Guam United Trading Services & Financing Inc. and the subject property.
 8. James S Lee & Co (Guam) Limited is a wholly owned subsidiary of James S Lee & Company (Kowloon) Limited. James S Lee & Company (Kowloon) Limited is a 95% direct subsidiary of James S Lee & Company Clothing Mill (Hong Kong) Limited. James S Lee & Company Clothing Mill (Hong Kong) Limited is a 87.25% direct subsidiary of the Company. Accordingly, the Company has an effective interest of 82.8875% in James S Lee & Company (Kowloon) Limited and the subject property.
 9. Guam Tourist Development Co. is a 50% direct associate of James S Lee & Co (Guam) Limited. James S Lee & Co (Guam) Limited is a wholly owned subsidiary of James S Lee & Company (Kowloon) Limited. James S Lee & Company (Kowloon) Limited is a 95% direct subsidiary of James S Lee & Company Clothing Mill (Hong Kong) Limited. James S Lee & Company Clothing Mill (Hong Kong) Limited is a 87.25% direct subsidiary of the Company. Accordingly, the Company has an effective interest of 41.44% in Guam Tourist Development Co. and the subject property.
- * Please see Note to Item 4 of Appendix I of this Composite Document at pages 90 to 91 for details.

1. RESPONSIBILITY STATEMENT

This Composite Document includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Group. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document and confirm that, having made all reasonable enquiries, to the best of their knowledge, opinions expressed in this Composite Document have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement herein misleading.

The information relating to the Offer and the Offeror contained herein has been extracted from or based on the Offer Document. The only responsibility accepted by the Directors in respect of such information is to ensure that it has been correctly and fairly extracted from or is based on the Offer Document.

2. DISCLOSURE OF INTERESTS

The following paragraphs are extracted from the Offer document (*Note*).

Note: The interests of Mr. W. Lee and parties acting in concert with him have been extracted from the Offer Document and updated based on the information provided by Smart Extra up to the Latest Practicable Date.

For the purpose of this paragraph headed “Disclosure of Interests” in this appendix, the “Disclosure Period” means the period beginning from the date six months prior to the Pre-Announcement Date and ending on the Latest Practicable Date (both dates inclusive) and “interested” and “interests” have the meanings respectively ascribed thereto in Part XV of the SFO.

(a) Holdings, interests and dealings in the Shares

As at the Latest Practicable Date, Mr. W. Lee (through Smart Extra) was beneficially interested in 60,406,962 Shares and save for the Acquisition, the interests of MADC and Mr. J. Lee in Oxford, the acquisition of 49,834 Shares which have been tendered for acceptance under the Offer, details of which can be found on page 14 of the Composite Document, and the information as disclosed below:

- (i) Smart Extra had not dealt in any Shares during the Disclosure Period;
- (ii) Mr. W. Lee, the sole director of Smart Extra, was not interested in any Shares (other than the 33,000 Shares in which he was personally interested prior to their transfer to Smart Extra as part of the Acquisition) nor had he dealt in any Shares (other than the transfer of 33,000 Shares at \$8.00 each in which he was personally interested to Smart Extra as part of the Acquisition) during the Disclosure Period;
- (iii) no person acting in concert with Smart Extra or Mr. W. Lee owned or controlled any Shares or had dealt in any Shares during the Disclosure Period, save for (a) MADC which was interested in 409,400 Shares; (b) Mr. J. Lee who was interested in 90,118 Shares; (c) the transfer of 33,000 Shares by Mr. W. Lee to Smart Extra as part of the

Acquisition as stated in (ii) above; (d) Precise Dragon Developments Limited (a company which was previously owned by Mr. Lee Sew Yen, the brother of Mr. W. Lee) acquired from certain Shareholders 14,376,000 Shares at an uniform agreed price of HK\$8.00 per Share on 31st March, 2003, which Shares comprise part of the Shares in which Smart Extra became interested by virtue of the Acquisition; and (e) see the disposal of Shares by MADC, details of which are set out below:

Settlement date	Number of Shares sold	Price per Share (HK\$)
30th October, 2002	90,000	6.0
23rd December, 2002	10,000	8.3
23rd December, 2002	10,000	8.5
19th February, 2003	2,000	8.8
20th February, 2003	2,000	8.4
20th February, 2003	4,000	8.5
25th February, 2003	2,000	8.4
25th February, 2003	2,000	8.8

- (iv) no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between any person and Smart Extra or Mr. W. Lee or any person acting in concert with Smart Extra or Mr. W. Lee or any person who is an associate of Smart Extra or Mr. W. Lee by virtue of classes (1), (2), (3) or (4) of the definition of “associate” under the Takeovers Code.

(b) General

As at the Latest Practicable Date:

- (i) no benefit was or would have been paid to any director of Oxford as compensation for loss of office or otherwise in connection with the Offer;
- (ii) save for the irrevocable undertakings as disclosed in paragraph 3 below, no agreement, arrangement or understanding, including any compensation arrangement, existed between Smart Extra or Mr. W. Lee or any person acting in concert with Smart Extra or Mr. W. Lee and any of the directors, recent directors, Shareholders or recent Shareholders of the Company having any connection with or dependence upon the Offer;
- (iii) no agreement, arrangement or understanding (including compensation arrangement) exists between Smart Extra and any other person for the transfer of the beneficial interests in Shares acquired by Smart Extra under the Offer; and
- (iv) Smart Extra does not have any intention to transfer any Shares acquired pursuant to the Offer to any person.

(The above paragraphs have been extracted from Offer document.)

(c) Interests of the Directors*(i) The Company*

Save as disclosed hereunder, none of the Directors has any interest in the Company:

Name of Directors		Nature of interests	Number of Shares	Approximate percentage of Shares (%)
Mr. W. Lee	<i>Note</i>	Corporate	60,456,796	89.23

Note: Smart Extra Holdings Limited, a company incorporated in BVI wholly-owned by Mr. W. Lee, held 60,456,796 Shares, including 49,834 Shares which were tendered for acceptance under the Offer.

(ii) Associated company

Save as disclosed hereunder, none of the Directors has any interest in the associated company:

Name of Directors		Nature of interests	Number of Shares	Approximate percentage of Shares (%)
Mr. W. Lee	<i>Note</i>	Corporate	409,400	0.60

Note: Modern Aspac Development Company Limited, an associated company of the Company, is interested in 409,400 Shares, in which Mr W. Lee is beneficially interested in 50% of the entire issued share capital through 2 private companies.

(d) Interests of substantial Shareholder

As the Latest Practicable Date, according to the register of members kept by the Company under Section 313 of the SFO/SDI Ordinance and so far as the Directors were aware, the following person(s), other than the Directors, were interested or deemed to be interested in 5% or more of the issued share capital of the Company:

Name of Shareholders		Number of Shares		Approximate percentage of shareholding
		Direct interest	Deemed interest	
Smart Extra Holdings Limited	<i>Note</i>	60,456,796	60,456,796	89.23%

Note: Smart Extra held 60,456,796 Shares together with, *inter alia*, the voting rights attached thereto in aggregate, representing approximately 89.23% of the Shares in issue and approximately 89.23% voting rights of the Company.

(e) Interests and dealings in the Offeror

Save for Mr. W. Lee's interest in the Offeror, none of the Company, the Directors nor any party acting in concert with any of them owned or controlled or dealt in any shares in the Offeror during the period commencing 30th October, 2002 and ended on the Latest Practicable Date.

(f) Interests in the Company

As at the Latest Practicable Date, save as disclosed in (c) above:

- (i) none of the subsidiaries or associates of the company, nor any pension fund of the Group, owned or controlled any Shares;
- (ii) no fund manager connected with the Company owned or controlled any Shares;
- (iii) Save and except for:
 - (1) the irrevocable undertakings as disclosed in paragraph 3 below, and the Smart Extra Scheme Undertaking and the Smart Extra Indemnity Undertaking as disclosed on page 13 of this document, and
 - (2) the Offer and/or the Scheme Proposal and therefore the Scheme are and will be also available to Mr. J. Lee and MADC,

there is no arrangement of any kind as referred to in Note 8 to Rule 22 of the Takeovers Code, or any part thereof, which exists either:

- (1) between the Company, or any person acting in concert with it or any associate of the company by virtue of classes (1), (2), (3) and (4) of the definition of 'associate' in the Takeovers Code and any other person; or
- (2) between Smart Extra, or any person acting in concert with Smart Extra, and any other person,

whether in respect of the shareholdings in Smart Extra or in the Company.

- (iv) there is no agreement, arrangement or understanding (including any compensation arrangement) of any kind which exists between the Company or any person acting in concert with it any of the Directors and shareholders having any connection with or dependence upon the Scheme;
- (v) none of HLB Hodgson Impey Cheng, Shenyin Wanguo, DTZ Debenham Tie Leung Limited, Micronesian Appraisal Associates, Inc. nor any persons controlling, controlled by or under the same control of any of them, nor other advisers to the Company owned or controlled any Shares.

(g) Dealings in Shares

During the period commencing 30th October, 2002 and ended on the Latest Practicable Date and to the best knowledge of the Directors:

- (i) save for Mr. W. Lee's interest in Smart Extra as set out in the section entitled "INFORMATION ON SMART EXTRA" on page 14 of the Offer Document, neither the Company nor any Director had dealt for value in shares in Smart Extra;
- (ii) save for the acquisition and the dealings in Shares of Mr. W. Lee (through Smart Extra) and parties acting in concert with Mr. W. Lee and/or Smart Extra as disclosed in 2 (a) above, none of the Directors had dealt for value in the Shares;
- (iii) no subsidiary of the Company, nor any of its associates, nor any pension fund of the Group, had dealt for value in any Shares;
- (iv) none of HLB Hodgson Impey Cheng, Shenyin Wanguo, DTZ Debenham Tie Leung Limited, Micronesian Appraisal Associates, Inc. nor other advisers to the Company had dealt in the Shares; and
- (v) no fund manager connected with the Company had dealt in the Shares.

3. DISINTERESTED SHAREHOLDERS' UNDERTAKINGS AND DEALINGS IN THE SHARES

(The following information is extracted from the Offer Document)

Up to the Latest Practicable Date, Smart Extra has received letters of irrevocable undertaking, all dated 21st May, 2003, from 16 Disinterested Shareholders holding approximately 3,866,040 Shares, in aggregate, representing approximately 5.71% of the issued share capital of Oxford or approximately 56.41% of the Disinterested Shares, whereby each and every one of them has confirmed on an irrevocable basis that they will not accept the Offer in respect of the Shares held by them on the terms and conditions as outlined in the Announcement. Notices of intention were also thereby given by these Disinterested Shareholders that they would support the Scheme by voting in favour of the Scheme and the Scheme Proposal both at the Court Meeting and the EGM.

During the Disclosure Period, a total of 46,000 Shares were bought, with the purchase prices ranging from HK\$7.60 to HK\$9.50 per Share, and a total of 20,000 Shares were sold, with the selling prices ranging from HK\$7.40 to HK\$10.25 per Share, by the said 16 Disinterested Shareholders.

Save as disclosed above, no person had irrevocably committed themselves to accept or reject the Offer and the said 16 Disinterested Shareholders had not dealt in any Shares during the Disclosure Period.

4. MARKET PRICES

The table below shows the respective closing prices of the Shares on the Stock Exchange (i) on the last trading day of each of the six calendar months prior to the Pre-Announcement Date; and (ii) on the Latest Practicable Date.

Date	Closing price per Share HK\$
31st October, 2002	8.10
29th November, 2002	6.30
31st December, 2002	8.30
30th January, 2003	7.40
28th February, 2003	8.80
31st March, 2003	9.40
30th April, 2003	suspended in April
31st May, 2003	suspended in May
30th June, 2003	suspended in June
31st July, 2003	suspended in July
31st August, 2003	suspended in August
8th September, 2003	trading resumed
Latest Practicable Date	13.60

The lowest and highest closing prices per Share recorded on the Stock Exchange during the period from 1st October, 2002, being the date six months prior to the Pre-Announcement Date and the Latest Practicable Date were respectively HK\$5.90 on both 20th and 21st November, 2002 and HK\$13.70 on 19th, 22nd, 23rd and 24th September, 2003.

5. CONSENT

The following are the qualifications of the experts who have provided their advice which is contained in this document:

Name	Qualification
Shenyin Wanguo	a licensed corporation under the SFO, are the Independent Financial Advisers to the Independent Board Committee in respect of the Offer and the Scheme Proposal
DTZ Debenham Tie Leung Limited	Property valuers (Hong Kong)
Micronesian Appraisal Associates, Inc.	Property valuers (Guam, U.S.A)
HLB Hodgson Impey Cheng	Certified Public Accountants

Shenyin Wanguo, DTZ Debenham Tie Leung Limited, Micronesia Appraisal Associates, Inc. and HLB Hodgson Impey Cheng have given and have not withdrawn their written consent to the issue of this document with the inclusion herein of their letters and/or references to their names in the form and context in which they appear.

6. MATERIAL CONTRACTS

No contract (other than contracts entered into in the ordinary course of business) had been entered into by any member of the Group within the two years immediately preceding 31st March, 2003 which is or may be material.

7. LITIGATION

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

8. ARRANGEMENTS AFFECTING DIRECTORS

There is no benefit (other than statutory compensation) to be given to any Director as compensation for loss of office or otherwise in connection with the Offer.

There is no agreement or arrangement between any Director and any other person which is conditional upon or dependent on the outcome of the Offer or is otherwise connected with the Offer.

Save for the “Smart Extra Scheme Undertaking” and the “Smart Extra Indemnity Undertaking” as defined in the section entitled “THE SCHEME OF ARRANGEMENT pursuant to section 166 of the Companies Ordinance” in the Letter from the Board on page 13 of this document entered into by Mr. W. Lee on behalf of the Smart Extra, there is no material contract entered into by Smart Extra in which any Director has a material personal interest.

9. DIRECTORS’ SERVICE AGREEMENTS

None of the Directors has entered into any service contract with any company in the Group and/or associated company of Oxford which does not expire within one year and no service contract between any company in the Group and associated companies of Oxford and any of the Directors has been entered into or amended within six months prior to 31st March, 2003 (being the date on which Smart Extra triggered a mandatory takeover offer).

10. MISCELLANEOUS

- (a) Settlement of the Cancellation Price to which any Scheme Shareholder is entitled under the Scheme will be implemented in full in accordance with the terms of the Scheme (once it becomes effective) without regard to any lien, right of set-off, counterclaim or other analogous right to which the Company may otherwise be, or claim to be, entitled against such a Scheme Shareholder.

- (b) The ultimate controlling shareholder and sole director of Smart Extra is Mr. W. Lee.
- (c) The registered office of Smart Extra is situated at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands and the address of Mr. W. Lee is 5-46-16-101 Jingumae, Shibuyaku, Tokyo, Japan.
- (d) The registered offices of Kim Eng and Kim Eng Securities are both situated at Room 1901, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong and the registered office of Baron Capital is situated at 4th Floor, Aon China Building, 29 Queen's Road Central, Central, Hong Kong.
- (e) The English text of this document shall prevail over the Chinese text for the purpose of interpretation.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the registered offices of the Company at 1601 Wing On Centre, 111 Connaught Road, Central, Hong Kong during normal business hours on any weekday (except public holidays) up to and including the date on which the Court Meeting and/or the EGM and/or any adjournments thereof are held, whichever is concluded last:

- (a) the memorandum and articles of association of the Company;
- (b) the audited consolidated financial statements of the Group for the two financial years ended 31st January, 2002 and 31st January, 2003;
- (c) the letter from the Independent Board Committee, the text of which is set out on pages 35 to 37;
- (d) the letter of advice from the Independent Financial Advisers, the text of which is set out on pages 38 to 61;
- (e) the letters of consent from Shenyin Wanguo, DTZ Debenham Tie Leung Limited, Micronesian Appraisal Associates, Inc. and HLB Hodgson Impey Cheng referred to under the section headed "Consent";
- (f) the letter, summary of valuation and valuation certificates prepared by DTZ Debenham Tie Leung Limited relating to the property interests of the Group (other than those situated at Guam, U.S.A.) and the letter, summary of valuation, appraisal reports, valuation certificates and addenda thereto prepared by Micronesian Appraisal Associates, Inc. relating to the property interests of the Group situated at Guam, U.S.A., the texts of all of which are set out in Appendix II to this Composite Document; and
- (g) the Investigation Report (Executive Summary) prepared by HLB Hodgson Impey Cheng, the text of which is set out in Appendix IV to this Composite Document.



鄭國衛會計師事務所
Hodgson Impey Cheng

Chartered Accountants
Certified Public Accountants

Our Ref: MC/LJ/LP/ac

22 August 2002

PRIVATE & CONFIDENTIAL

The Board of Directors
Oxford Properties & Finance Limited
1601 Wing On Centre
111 Cannaught Road Central
HONG KONG

Dear Sirs

Oxford Properties & Finance Limited ("Oxford")
Engagement letter

This letter is to confirm our understanding of the terms and objectives of our engagement and the nature and limitations of the services that we will provide. Our engagement will be conducted in accordance with the *Statement of Auditing Standards No. 710 "Engagements to perform agreed-upon procedures regarding financial information"* and the *Standard on Assurance Engagements No. 200 "High level assurance engagements"* issued by the Hong Kong Society of Accountants (the "HKSA") and we will indicate so in our report.

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G/F, Wheelock House, 20 Pedder Street, Central Hong Kong SAR (Tel: (852) 2810 8338 Fax: (852) 2810 1048
 香港中環畢打街 20 號會德豐大廈 6 字樓 (電話: + (852) 2810 8338 傳真: -- (852) 2810 1048
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 A member of HLB International. Can provide registration of accounts firms and business address. 本會為 HLB 國際成員之一。為一香港註冊會計師樓提供註冊地址。



To: The Board of Directors
Oxford Properties & Finance Limited

Date: 22 August 2002

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1. Background

- 1.1 Oxford is a company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). According to the annual report of Oxford for the year ended 31 January 2002, the principal activities of Oxford are investment holding, property investment and development, and provision of property agency services. As at 31 January 2002, Oxford had, among others, a number of investment properties, other properties and properties for sale located in Guam, U.S.A. (collectively referred to herein as the "Guam Properties").
- 1.2 Certain shareholders of Oxford have for quite some time alleged that the Guam Properties have been understated and incorrectly classified in the accounts of Oxford. The allegations stemmed from the following:
- i) Certain Guam Properties had not been independently valued and their true value had not been properly reflected in the accounts of Oxford;
 - ii) Certain Guam Properties had been rented out but the rental income generated therefrom was not recorded in the accounts of Oxford;
 - iii) A hotel, by the name of Tamuning Hotel, was built on one of the Guam Properties and subsequently disposed of by Oxford; however, the sales proceeds of which were not recorded in the accounts of Oxford; and
 - iv) Certain Guam Properties had been misclassified due to incorrect descriptions of their usage.
- 1.3 Oxford is currently under investigation by the Securities and Futures Commission (the "SFC") following shareholders' complaints. The board of directors of Oxford (the "Board of Directors") decided on 13 August 2002 to (i) appoint an independent valuer to perform a second valuation on the Guam Properties; and (ii) appoint independent accountants to review and report to the Board of Directors as to whether the nature, value, classification and rental income of the Guam Properties had been properly reflected in the audited accounts of Oxford for the past five financial years ended 31 January 1998, 1999, 2000, 2001 and 2002 (the "Relevant Periods").

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To: The Board of Directors
Oxford Properties & Finance Limited

Date: 22 August 2002

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1. Background (Continued)

1.4 When the reports on the valuation and accounting issues are available, copies of such reports will be provided to the SFC and the Stock Exchange. Summary of the major findings contained in such reports will also be announced to inform the shareholders of Oxford and the public accordingly.

2. Scope of our work

A. Factual findings on agreed-upon procedures

2.1 We have agreed to perform the following procedures, in accordance with the *Statement of Auditing Standard No. 710 "Engagements to perform agreed upon procedures regarding financial information"*, and report to the Board of Directors the factual findings resulting from our work:

- i. We shall obtain and read the annual reports of Oxford for each of the Relevant Periods.
- ii. We shall obtain and read the audited consolidated accounts of Oxford for each of the Relevant Periods (the "Audited Accounts").
- iii. We shall obtain and read the valuation reports in respect of the Guam Properties for each of the Relevant Periods (the "Valuation Report").
- iv. We shall compare the classification of the Guam Properties according to their descriptions in the Valuation Reports and the Audited Accounts.
- v. We shall obtain the registers of the Guam Properties for each of the Relevant Periods prepared by management of Oxford (the "Guam Properties Registers") and we shall compare the descriptions, amounts and other relevant details in those in the related general ledger accounts.
- vi. We shall compare the Guam Properties Registers between and across each of the Relevant Periods to ascertain whether there was any disposal of a hotel by Oxford, and if so, whether such sales proceeds were recorded in the accounts of Oxford.

Cont'd ... P.4



To: The Board of Directors
Oxford Properties & Finance Limited

Date: 22 August 2002

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A. Factual findings on agreed-upon procedures (Continued)

- vii. We shall obtain and check the mathematical accuracy of the schedules of total gross rental income from all Guam Properties (which shall be analysed by each of the Guam Properties) for each of the Relevant Periods prepared by management of Oxford (the "Rental Income Schedules") and we shall compare the totals on the Rental Income Schedules to the balances in the related general ledger accounts and to the Audited Accounts.
- viii. We shall obtain the periodic reports issued by the relevant estate agents located in Guam relating to, among other things, the rental income generated from the Guam Properties for each of the Relevant Periods (the "Agents' Rental Reports").
- ix. We shall compare the rental income generated from each of the Guam Properties as shown in the Rental Income Schedules, to the amounts shown in the Agents' Rental Reports and we shall ascertain, by reference to such Agents' Rental Reports, whether there appeared to be any significant unrecorded rental income from the Guam Properties.

Cont'd ... P.5



To: The Board of Directors
Oxford Properties & Finance Limited

Date: 22 August 2002

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B. Opinion as to compliance with accounting standards

- 2.2 We note from pursuing the annual report of Oxford for the year ended 31 January 2002, that the accounts of Oxford were prepared in accordance with accounting principles generally accepted in Hong Kong, which include, inter alia, the Statements of Standard Accounting Practice ("SSAPs") and Interpretations issued by the HKSA.
- 2.3 The relevant Hong Kong SSAPs which prescribe the accounting treatments for investment properties and property, plant and equipment are SSAP 2.113 "Accounting for investment properties" and SSAP 2.117 "Property, plant and equipment" respectively.
- 2.4 We are requested to opine as to whether appropriate accounting policies had been adopted by Oxford with respect to the Guam Properties for each of the Relevant Periods. The suitable criteria against which the appropriateness of the accounting policies adopted by Oxford with respect to the Guam Properties for each of the Relevant Periods should be measured are SSAP 2.113 and SSAP 2.117. In arriving at our opinion, we shall perform the following procedures:
- i. We shall review the accounting policies adopted by Oxford in accounting for the Guam Properties for each of the Relevant Periods as disclosed in the Audited Accounts.
 - ii. We shall have regard to the factual findings resulting from our work in **subsection A** above.
 - iii. We shall review the requirements of SSAP 2.113 and SSAP 2.117.
 - iv. We shall conclude as to whether in our opinion the Guam Properties should have been subject to revaluation in accordance with SSAP 2.113 and/or SSAP 2.117.

Cont'd ... P.6



To: The Board of Directors
Oxford Properties & Finance Limited

Date: 22 August 2002

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C. **Comments on specific allegations about the Specific Guam Properties**

2.5 We are requested to comment on the following specific allegations about the Guam Properties which, we understand, were made by certain shareholders of Oxford:

(a) *Lot 2025-1-1-10, Dededo*

We note that this property was classified as "Other land and buildings in Guam, U.S.A." under "Investment properties" in the annual report of Oxford for the year ended 31 January 2001.

It was alleged that this property was not a vacant lot, but had been occupied by two stalls with a vacant office above and also a hotel named Tarruning Hotel. It was further alleged that the hotel was sold to a Korean investor but the sale had not been recorded in the books of Oxford and a Mr. Lee had pocketed the sale proceeds.

(b) *Lot 5163 - Dededo, Guam Estate Number 4064, Suburban*

It was alleged that this property appeared in two places in the annual report of Oxford for the year ended 31 January 2001. It was alleged that part of the property appeared as "Land and buildings in Guam, U.S.A." under "Investment properties" with a gross floor area of 6,100 square meters with industrial/commercial/dormitory use; and part of which also appeared as "Land in Guam, U.S.A. for investment" under "Other properties" with a site area of 57,234 square meters with industrial use.

It was alleged that, for some time, this property had been used as a business park from which Oxford should have been receiving rental income, the amount of which was claimed to be significant. However, this information and/or the rental income were never disclosed in the annual reports of Oxford.

(c) *Lot 2112/-8, Tarruning, Dededo, Guam Estate Number 7001*

We note that this property was classified as "Land in Guam, U.S.A. for investment" under "Other properties" in the annual report of Oxford for the year ended 31 January 2001.

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C. Comments on specific allegations about the Specific Guam Properties (continued)

It was alleged that this property was not a vacant lot but had offices and shops on it. It was further alleged that this property had been improperly classified in the accounts of Oxford and that it was questionable as to whether the rental income was properly recorded in the books of Oxford.

2.6 In respect of each of the above allegations, we shall perform the following work:

- i. We shall review the accounting treatments adopted by Oxford in accounting for the aforesaid Specific Guam Properties (comprising (a) Lot 2025-1-1-10, Dededo, (b) Lot 5163 – Dededo, Guam Estate Number 4064, Suburban, and (c) Lot 2112A-8, Tamuning, Dededo, Guam Estate Number 7001) for each of the Relevant Periods as disclosed in the Audited Accounts.
- ii. We shall have regard to the factual findings resulting from our work in subsection A.
- iii. We shall instruct an independent professional estate surveyor in Guam, as our agent, to conduct various independent searches relating to the Specific Guam Properties on the public records filed with the relevant government authorities in Guam, as follows:
 - a. Conducting land searches at the land registry or equivalent government authorities in Guam over the Relevant Periods to ascertain:
 - i. the registered owners of the Specific Guam Properties;
 - ii. whether there have been any tenancy agreements registered in respect of the Specific Guam Properties, and if so, whether the rental income in respect of such tenancy agreements have been properly recorded in the Audited Accounts; and
 - iii. whether there have been any disposals of the Specific Guam Properties, and if so, whether the sale proceeds have been properly recorded in the Audited Accounts.
 - b. Conducting searches at the urban planning board or equivalent government authorities in Guam over the Relevant Periods to ascertain:
 - i. whether there have been any planning applications submitted by Oxford in respect of the Specific Guam Properties;

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C. **Comments on specific allegations about the Specific Guam Properties (continued)**

- ii. whether there have been any planning approvals granted to Oxford, and if so, whether there are any developments and/or buildings erected on the Specific Guam Properties; and
 - iii. in the event that there are developments and/or buildings erected on the Specific Guam Properties, whether such developments and/or buildings are generating rental income, and if so, whether such rental income has been properly recorded in the Audited Accounts.
- iv. We shall instruct the independent professional estate surveyor in Guam, as our agent, to carry out a physical inspection of the Specific Guam Properties solely to ascertain the physical existence of such properties. You do not require us to perform site inspection nor structural survey on any of the Guam Properties.

2.7 The procedures that we will perform are solely to review and report to the Board of Directors as to whether the nature, value, classification and rental income of the Guam Properties had been properly reflected in the Audited Accounts for the Relevant Periods. We have agreed that, under this engagement, we will not perform an audit or any verification procedures other than those which are specified above. The procedures that we will perform will not constitute either an audit or a review made in accordance with Statements of Auditing Standards issued by the HKSA and, consequently, we will not express any assurance on the matters specified above. If we were to perform additional procedures or if we were to perform an audit or any more limited review, other matters might come to attention that would be reported to you. Our report will relate only to the matters specified above and will not extend to any financial statements of Oxford or any of the companies comprising the group, taken as a whole.

3. **Circulation of report**

3.1 We understand that a copy of our report will be made available to the SFC and the Stock Exchange. However, for the avoidance of doubt, all duties and liabilities (including without limitation, those arising from negligence) to third parties, including the SFC and the Stock Exchange, are specifically disclaimed. Our report will be solely for the purpose set forth in paragraph 2.7 above and for your information only and is not to be used for any other purposes or (subject to the foregoing) to be distributed to any other parties without our prior written consent.

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Hodgson Inoué Cheng

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4. Access to and reliability of records

4.1 We look forward to full cooperation with your staff and we trust that they will make available to us whatever records, documentation and other information requested in connection with our engagement.

4.2 Our work will be based primarily on internal management information and will be carried out on the assumption that information provided to us by management of Oxford is reliable and, in all material respects, accurate and complete. We will not subject the information contained in our reports and letters to checking or verification procedures except to the extent expressly stated. This is normal practice when carrying out such limited scope procedures, but contrasts significantly with an audit. Even audit work provides no guarantee that fraud will be detected. Our procedures are not designed to and are not likely to reveal fraud or misrepresentation whether by the management of Oxford or by external parties. Accordingly we cannot accept responsibility for detecting fraud or misrepresentation whether by the management of Oxford or by external parties.

5. Our team

5.1 The key members of the team assigned to this engagement are:

Mr. Michael Choi	BFA, FHKSA, FHKC, CPA, HKRSI	Engagement Partner
Mr. Anthony Collins	FCA, FHKSA, FHKC, MFLA, etc.	Partner, Forensic Accounting
Mr. Jonathan Lai	ACA, AHKSA, ATIFK, CPA	Concurring Partner
Ms. Loreen Poon	CPA (Aus), AFKSA	Engagement Manager

5.2 This engagement will be undertaken by our Audit and Assurance Department with the support of our Forensic Accounting expert, Mr. Anthony Collins. Mr. Collins is an expert in fraud and forensic accounting and investigations, and other specialist skill areas such as loss of profits claims, arbitration and expert witness appointments. He has been appointed as Receiver under the Court Order HCMP 2830 of 1992 under the Recovery of Proceeds of Crime (Drug Trafficking) Ordinance, and has extensive experience working with local and overseas listed companies in connection with audit-related matters and due diligence reviews, and a Department of Trade and Industry (UK) inquiry.

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6. Timing of reports

6.1 We shall be able to commence our work as soon as we receive your instructions to do so. Based on the aforesaid scope of our work, we expect that our work will take approximately four to six weeks from the date of commencement of our work. We shall keep you informed of progress regularly during the course of our work and shall inform you immediately of any potential changes in the scope or timing of our work should they be considered necessary.

7. Fees

7.1 Our fees, which will be billed as work progresses, are based on the time required by the individuals assigned to the engagement plus out-of-pocket expenses. Individual hourly rates vary according to the degree of responsibility involved and the experience and skill required.

7.2 Based on our preliminary understanding, our estimated fees for this engagement are ~~HK\$200,000~~ ^{HK\$270,000} exclusive of disbursements. HK\$100,000 shall be payable upon acceptance of the terms of our engagement and the balance of ~~HK\$100,000~~ ^{HK\$170,000} will be payable upon submission of our written report to the Board of Directors.

7.3 For the avoidance of doubt, our estimated fees do not take into account the professional fees of the independent professional estate surveyor in Guam for the purpose of undertaking the work as specified in paragraph 2.6 above, which shall be borne by Oxford.

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8. Agreement of terms

8.1 Please sign and return the attached copy of this letter to indicate that it is in accordance with your understanding of the terms of the engagement including the specific procedures which we have agreed will be performed.

Yours faithfully

We agree to the terms of this letter.

Signed

Michael Lewis *Laurence Tai*

Directors, for and on behalf of the board of Oxford Properties & Finance Limited

Date

: *7th October 2002*



鄭國衛會計師事務所
Hodgson Impey Cheng

Chartered Accountants
Certified Public Accountants

Our Ref: 300069/MC/13/E/Prac

23 April 2003

STRICTLY PRIVATE & CONFIDENTIAL

The Special Committee
Oxford Properties & Finance Limited
1601 Wing On Centre
111 Connaught Road Central
HONG KONG

Dear Sirs

Oxford Properties & Finance Limited ("Oxford")

In accordance with the terms of engagement as set out in the engagement letter dated 22 August 2002 and submitted herein by us, which was approved by the Special Committee on 9 October 2002 (the "Engagement Letter"), (a copy of which is included as **Appendix A**), we would inform you that we have duly completed our investigation in respect of the matters to which we were engaged and our findings in respect thereof are filed herewith by way of an Investigation Report.

Review procedures and findings

Our Investigation Report is filed solely for the purposes as set forth in the Engagement Letter and not otherwise. As we were and are independent from Oxford, we familiarised ourselves with the financial data of Oxford by analyzing (a) the financial information of the annual reports and audited

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A member of HLB involved & was also a member of the International Federation of Accountants 香港六 HLB 成員所之一 為一國際性會計師事務所成員



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accounts of Oxford for the Relevant Periods and (b) the internal management information provided to us by the management of Oxford. In reaching our findings, we have performed necessary review procedures in accordance with the Statement of Auditing Standard No.710 "Engagements to perform agreed-upon procedures regarding financial information" which were agreed in our Engagement Letter.

The procedures that we have performed do not constitute either an audit or a review within the meanings of Statements of Auditing Standards issued by the Hong Kong Society of Accountants since our engagement relates only to specific matters as particularly defined in the Engagement Letter and does not extend to any financial statements of Oxford or any of the companies comprising the group, taken as a whole, or at all.

Details of our investigation process with regard to the allegations made by the minority shareholders of Oxford as specifically set forth in the Engagement Letter are described in our said Investigation Report together with our findings in respect thereof.

The executive summaries of our findings are as follows: -

1. Regarding the allegation that certain Guam Properties had not been independently valued and their true value had not been properly reflected in the accounts of Oxford

- (i) **Valuation of "Investment Properties"**

It is our finding that the valuation of the "Investment Properties" in the Audited Accounts has been properly dealt with in accordance with SSAP 2.113.

- (ii) **Valuation of "Other Properties"**

It is our finding that the accounting policies adopted by Oxford in accounting for those Guam Properties that were classified as leasehold land under "Other Properties" are in accordance with SSAP 2.114 (Revised), which became effective for financial periods beginning on or after 1 July 2000.

- (iii) **Valuation of "Properties held for Sale"**

It is our finding that the accounting policies adopted by Oxford in accounting for "Properties held for Sale" for each of the Relevant Periods as disclosed in the Audited Accounts are in accordance with SSAP 2.117 and SSAP 2.122.

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2. Regarding the allegation that certain Guam Properties had been rented out but the rental income generated therefrom was not recorded in the accounts of Oxford

- It is our finding that we did not note any rental income being unrecorded during the Relevant Periods.

3. Regarding the allegation that a hotel, by the name of Tamuning Hotel, was built on one of the Guam Properties and was subsequently disposed of by Oxford the sales proceeds of which were not recorded in the accounts of Oxford

It is our finding that Oxford has never owned the lot on which Tamuning Hotel was erected.

4. Regarding the allegation that certain Guam Properties had been misclassified due to incorrect descriptions of their respective usage

- It is our finding that the accounting policies of Oxford in respect of the classification of the Guam Properties, as classified into Investment Properties, Other Properties and Properties held for Sale, were in accordance with accounting principles generally accepted in Hong Kong which include, inter alia, the Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants.

5. Lot 2025-2-1-10, Dededo ("Lot 2025")

Regarding the allegations that: -

- this property was not a vacant lot, but had been occupied by two stalls with a vacant office above and also a hotel named Tamuning Hotel; and
 - the said hotel was sold to a Korean investor but the sale had not been recorded in the books of Oxford and a Mr. Lee had pocketed the sale proceeds
- It is our finding that the related rental income from Lot 2025 had been properly accounted for by Oxford in the audited accounts for each of the Relevant Periods. According to the Independent Surveyor's Report, no hotel has ever been erected on

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Lot 2025 and Oxford is and was at all material times legally entitled to the use, occupation and enjoyment of Lot 2025 up to the date of search on 21 October 2002 without any interruption. Accordingly, we are not aware of any instance where misappropriation of sale proceeds had occurred during the Relevant Periods.

6. Lot 5163, Dodado, Guam Estate Number 4064, Suburban ("Lot 5163")

Regarding the allegations that: -

- (a) this property appeared in two places in the annual report of Oxford for the year ended 31 January 2001 and that part of the property appeared as "Land and buildings in Guam, U.S.A." under "Investment Properties" with a gross floor area of 6,100 square meters with industrial/ commercial/ dormitory use; and part of which also appeared as "Land in Guam, U.S.A. for investment" under "Other Properties" with a site area of 57,234 square meters with industrial use; and
- (b) this property had been let for some time as a business park in respect of which Oxford should have been receiving rental income. The amount of such rental was claimed by the minority shareholders to be significant. However, this information and/or the rental income were never disclosed in the annual reports of Oxford
- An Independent Surveyor in Guam was engaged in respect of the allegations herein. The Independent Surveyor's Report did not state that Lot 5163 has ever been used as a business park during the Relevant Periods. The Independent Surveyor, however, did state that there were at all material times and still are numerous concurrent tenants occupying various parts within Lot 5163. We noted that the details relating to Lot 5163 as disclosed in the audited accounts were in agreement with the narrative descriptions on the relevant Certificates of Title and the related general ledger accounts except for the "type of use". We also noted that relevant rental income has been properly accounted for by Oxford in the audited accounts for each of the Relevant Periods.

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7 Lot 2112A-8, Tamuning, Dededo, Guam Estate Number 7001 ("Lot 2112A-8")

Regarding the allegations that: -

- (a) this property was not a vacant lot but had offices and shops therein; and
 - (b) this property had been improperly classified in the accounts of Oxford and that it was questionable as to whether the rental income was properly recorded in the books of Oxford.
- According to the Independent Surveyor's Report, Oxford owns the fee simple interest in Lot 2112A-8 which is vacant and there is no existing tenant lease. We noted that the details relating to Lot 2112A-8 as disclosed in the audited accounts were in agreement with the narrative descriptions on the relevant Certificates of Title, the related general ledger accounts and the Independent Surveyor's Report. We noted that Lot 2112A-8 was classified as land under "Other properties" in the audited accounts for each of the Relevant Periods and we consider that Lot 2112A-8 has been properly classified as "Other properties" in accordance with SSAP 2.117.

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Use of the Investigation Report

It is understood that the Investigation Report is prepared solely for the use of Oxford, and that copies thereof may be made available to the Securities and Futures Commission of Hong Kong (the "SFC"), The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the shareholders of Oxford and/or the public for information only. However, for the avoidance of doubt, all duty of care, responsibilities and/or liabilities (including but without limitation, those arising from negligence) to third parties other than Oxford, including the SFC, the Stock Exchange, the shareholders and the public, are hereby specifically disclaimed. The Investigation Report filed herewith by us will be filed solely for the purpose set forth in the Engagement Letter and for your information only and is not to be used for any other purposes or (subject to the foregoing) to be distributed to any other parties without our prior written consent.

We shall be pleased to discuss the Investigation Report with you and/or provide any further information or assistance that you may require.

Finally, we would like to thank the Special Committee and the Company's management for their full co-operation during the course of our investigation.

Yours faithfully

A handwritten signature in black ink, appearing to read 'HLB Hedgson Impey Cheng', written in a cursive style.

*Chartered Accountants
Certified Public Accountants*

Hong Kong, 23 April 2003