

The following is the text of a letter, summary of valuation and valuation certificate, prepared for the purpose of incorporation in this prospectus received from American Appraisal China Limited, an independent property valuer, in connection with its opinion of values of the property interests of our Group as at 30 April 2005.



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28 June 2005

The Directors
Senyuan International Holdings Limited
1 West Hengtanghe Road
External-oriented Agricultural Development Zone
Changzhou
Jiangsu Province
The People's Republic of China

Dear Sirs,

In accordance with your instructions to value the property interest owned by Senyuan International Holdings Limited (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") in the People's Republic of China (the "PRC"), we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the value of such property interests as at 30 April 2005 (the "valuation date").

BASIS OF VALUATION

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

- (i) a willing seller;
- (ii) that, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of price and terms and for the completion of the sale;
- (iii) 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 valuation date;
- (iv) that no account is taken of any additional bid by a purchaser with a special interest; and
- (v) that both parties to the transaction had acted knowledgeably, prudently and without compulsion."

VALUATION METHODOLOGY

Our valuation has been based on the depreciated replacement cost of the buildings and structures (referred to as the “Buildings”) which is defined as the gross replacement cost of the Buildings, from which appropriate deductions may then be made to allow for age, condition, economic/external and functional obsolescence and environmental factors etc. All of these might result in the existing Buildings being worth less to the undertaking in occupation than would a new replacement. In the valuation of the land portion, reference has been made to actual sales or market price information of comparable properties. When valuing the land parcels on which the Buildings were constructed, reference will be made to the Standard Land Prices of the area.

ASSUMPTIONS

Our valuations have been made on the assumption that the owners sell the property interests on the open market without the benefit of any deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which could serve to increase the value of such property interests. In addition, no forced sale situation in any manner is assumed in our valuations.

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

For the property interests held under land use rights in the PRC, we have assumed that the owner of the property interests has free and uninterrupted rights to use, lease, sell or mortgage the property interests for the whole of the unexpired term of its respective land use rights. Unless stated as otherwise, vacant possession is assumed for the property interests concerned.

It is assumed that all applicable zoning, land use regulations and other restrictions have been complied with unless a non-conformity has been stated, defined and considered in the valuation certificate. Further, it is assumed that the utilisation of the property and improvements is within the boundaries of the property interests described and that no encroachment or trespass exists unless noted in the valuation certificate.

TITLESHP INVESTIGATION

We have been provided with the extracts of documents in relation to the property interests situated in the PRC. However, we have not scrutinised the original documents to verify ownership or to verify any amendments, which may not appear on the copies handed to us. We have relied to a considerable extent on the information provided by the Group and the opinion given by the Group’s legal adviser on the PRC Law.

All legal documents disclosed in this letter and valuation certificate are for reference only and no responsibility is assumed for any legal matters concerning the legal title to the property interests set out in this letter and valuation certificate.

LIMITING CONDITIONS

We have relied to a considerable extent on the information provided by the Group and have accepted advice given to us by the Group on such matters as statutory notices, easements, tenure, occupancy, site and floor areas and all other relevant matters. Dimensions and areas included in the valuation certificate are based on information contained in the documents provided to us and are only approximations.

We have no reason to doubt the truth and accuracy of the information as provided to us by the Group. We were also advised by the Group that no material facts have been omitted from the information so supplied. We consider we have been provided with sufficient information to reach an informed view.

We have inspected the exterior and, where possible, the interior of the property interests included in the attached valuation certificate. However, no structural survey has been made and we are therefore unable to report as to whether the property interests are or are not free of rot, infestation or any other structural defects. No tests were carried out on any of the services. In the course of our inspection, we did not notice any serious defects.

We have not carried out investigations on site to determine the suitability of ground conditions and services for the proposed development, nor have we undertaken archaeological, ecological or environmental surveys. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during construction period.

REMARKS

This valuation has been conducted in accordance with the Hong Kong Guidance Notes on the Valuation of Property Assets published by the Royal Institute of Chartered Surveyors (Hong Kong Branch) and the Hong Kong Institute of Surveyors as required under Rule 5.05 of the Listing Rules.

Unless otherwise stated, all monetary amounts stated in this report are in Renminbi Yuan.

We enclose herewith the summary of valuation and the valuation certificate.

Yours faithfully,
For and on behalf of
AMERICAN APPRAISAL CHINA LIMITED
Leo C. Ho
Certified Real Estate Appraiser
B.Sc., MTP, MBA, MRICS, MHKIS, RPS (GP)
Vice President

Note: Mr. Leo C. Ho is a Chartered Valuation Surveyor. He has over 15 years of experience in valuation of properties in Hong Kong, the PRC and other areas in the Asian Pacific Region. Mr. Ho is a qualified property valuer as required under Rule 5.08(2)(b) of the Listing Rules.

SUMMARY OF VALUATION

Property	Capital value in existing state as at 30 April 2005
Property Interests Owned by the Group in the PRC	
An Industrial Complex located at 1 West Hengtanghe Road External-oriented Agricultural Development Zone Changzhou Jiangsu Province The People's Republic of China	RMB75,000,000

VALUATION CERTIFICATE

Property Interests Owned and Occupied by the Group in the PRC

Property	Description and Tenure	Particulars of Occupancy	Capital value in existing state as at 30 April 2005																
An Industrial Complex located at 1 West Hengtanghe Road External-oriented Agricultural Development Zone Changzhou Jiangsu Province The People's Republic of China	<p>The subject property comprises an industrial complex erected on a piece of land with a total site area of approximately 65,100 square meters. As of the date of inspection, the industrial complex is still under construction.</p> <p>The industrial complex consists of five buildings. The gross floor area of the buildings is approximately 32,825.19 square meters, details of which are summarised as follows:</p> <table border="1"> <thead> <tr> <th>Usage</th> <th>GFA square meters</th> </tr> </thead> <tbody> <tr> <td>Plant</td> <td>23,187.19</td> </tr> <tr> <td>Office</td> <td>5,840</td> </tr> <tr> <td>Auxiliary Plant</td> <td>1,554</td> </tr> <tr> <td>Canteen</td> <td>1,880</td> </tr> <tr> <td>Boiler Room</td> <td>207</td> </tr> <tr> <td>Power Room</td> <td>157</td> </tr> <tr> <td>Total:</td> <td><u>32,825.19</u></td> </tr> </tbody> </table> <p>The Land Use Rights of the property is held for a term up to 26 June 2053.</p>	Usage	GFA square meters	Plant	23,187.19	Office	5,840	Auxiliary Plant	1,554	Canteen	1,880	Boiler Room	207	Power Room	157	Total:	<u>32,825.19</u>	The construction of the plant has been completed. The office is still under construction.	RMB75,000,000
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Plant	23,187.19																		
Office	5,840																		
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Canteen	1,880																		
Boiler Room	207																		
Power Room	157																		
Total:	<u>32,825.19</u>																		

Notes:

- Pursuant to the State-owned Land Use Right Title Certificate Chang Guo Yong (2003) No.04440, the land use right is held by 常州森源開關有限公司 (Changzhou Senyuan Switch Co., Ltd.) ("Changzhou Senyuan"), a wholly owned subsidiary of the Company, for a term up to 26 June 2053 for industry use.
- Pursuant to a Building Ownership Certificate Chang Fang Quan Zheng Zi No. 00155058, a two-floor workshop with a gross floor area of 23,187.19 square meters is held by Changzhou Senyuan.
- Pursuant to Construction Project Commencement Permit No.32040120045200201 dated 20 May 2004, a two-floor canteen with a gross floor area of 1,880 square meters was permitted to be constructed.
- Pursuant to Construction Project Planning Permit Chang Gui Jian No.1-2004-19 dated 28 April 2004, a three-floor office with a gross floor area of 5,840 square meters was permitted to developed.

5. Pursuant to Construction Project Planning Permit Chang Gui Jian No.1-2004-19 dated 28 April 2004, a three-floor auxiliary workshop with a gross floor area of 1,554 square meters was permitted to developed.
6. Pursuant to Construction Project Planning Permit Chang Gui Jian No.1-2004-19 dated 28 April 2004, a single-floor boiler room with a gross floor area of 207 square meters was permitted to developed.
7. Pursuant to a Construction Project Planning Permit Chang Gui Jian No. 1-2004-19 dated 28 April 2004, a single-floor power room with a gross floor area of 157 square meters was permitted to be constructed.
8. Pursuant to the information given by the Company, the construction work is scheduled to be completed in July 2005. As confirmed with the Company, the cost of land use right and total construction costs including all building and equipment works, paid as of the relevant date amount of RMB61.5 million. It is expected that an additional cost of RMB3.5 million shall be required to settle the remaining cost of land use rights and complete all outstanding construction works.
9. The PRC legal opinion, inter alia, states that:
 - (i) On 26 June 2003, Changzhou Senyuan signed 國有土地使用權出讓合同(State-Owned Land Use Right Granting Contract) (the "Contract") with 常州市國土資源局(Changzhou Land Resources Bureau) (the "Land Bureau") in relation to the purchase of the land at 1 West Hengtanghe Road, External-oriented Agricultural Development Zone, Changzhou, Jiangsu Province, the PRC at a consideration of RMB10,416,000. Pursuant to the Contract, the Land Bureau assigned the right to 常州外向型農業綜合開發區(Changzhou External-oriented Agricultural Development Zone) to collect the entire land premium from Changzhou Senyuan. 常州外向型農業綜合開發區管理委員會(Changzhou External-oriented Agricultural Development Zone Administrative Committee) (the "Committee") is a management organisation set up by Changzhou local government in the development zone and its responsibilities include management of attracting business investments and land within the zone. The Committee in the exercise of power of land management is a subordinate division of the Land Bureau. Pursuant to the preferential land use policy applicable to the zone, the Committee paid, on behalf of Changzhou Senyuan, the aggregate land premium of RMB10,416,000 to the Land Bureau in July 2003. Subsequently, Changzhou Senyuan obtained 國有土地使用證(State-Owned Land Use Right Certificate) (the "Certificate") in July 2003.
 - (ii) An agreement was signed between Changzhou Senyuan and the Committee on 23 August 2002, regarding the payment arrangement of the land premium. According to the preferential land use policy, Changzhou Senyuan was only required to repay a total amount of RMB7,800,000 to the Committee. Changzhou Senyuan was not required to repay the remaining RMB2,616,000 as this was regarded as a preferential benefit to investment in the zone. In addition, in relation to the amount of RMB7,800,000, Changzhou Senyuan shall repay to the Committee within three years upon signing of the agreement.
 - (iii) The fact that the payment of the land premium by the Committee on behalf of Changzhou Senyuan to the Land Bureau and the repayment of the loan by Changzhou Senyuan to the Committee were two independent legal relationships. These two relationships are not connected in legal consequences. The land premium under the Certificate has been paid in full, the granting of the Certificate and the land use right by Changzhou Senyuan were legally valid and in compliance with 中華人民共和國城鎮國有土地使用權出讓及轉讓暫行條例(Provisional Rules on Assignment and Transfer of State-owned Land in Cities and Towns in the PRC) and other relevant laws and regulations. The Certificate obtained by Changzhou Senyuan was not subject to any condition. Changzhou Senyuan has the absolute right on the land use right. There is no legal impediment or any possibility of revocation of the land use right.
 - (iv) Changzhou Senyuan has obtained all the relevant permits or certificates before the commencement of the construction works on the land including the Certificate, 建設用地規劃許可證(Construction Land Planning Permit), 建設工程規劃許可證(Construction Project Planning Permit) and 建設工程施工許可證(Construction Project Engineering Permit).
 - (v) Changzhou Senyuan has obtained the building ownership certificate for its two factory blocks. There is no legal impediment for Changzhou Senyuan to obtain a building ownership certificate for other buildings in the production complex.

10. We have prepared our valuation on the following assumptions:
 - i. the property has a transferable title;
 - ii. all the land premium and other relevant costs have been settled in full; and
 - iii. the property is constructed in compliance with the local planning regulations and has been approved by the relevant authorities.

11. The total land premium payable by Changzhou Senyuan is RMB7,800,000. Land premium paid up to the Latest Practicable Date was RMB5,900,000. As at the Latest Practicable Date, the outstanding land premium was RMB1,900,000 as advised by the Company. The outstanding land premium will be paid when all the requirements of infrastructure are satisfactorily fulfilled and approved by the local government. We are advised by the Company that the outstanding land premium will be financed by internally generated funds. The payment is expected to be made in August 2005.