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13 July 2007

The Board of Directors

Tiangong International Company Limited

Dear Sirs,

In accordance with your instructions to value the property interests of Tiangong International Company 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 for the properties, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the value of such property interests as at 31 May 2007 (the “valuation date”).

This letter that forms part of our valuation report, explains the basis and methodology of valuation and clarifies our assumptions made on the ownership to the property interests and the limiting conditions.

BASIS OF VALUATION

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

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special considerations or concessions granted by anyone associated with the sale, or any element of special value. The value of a property is also estimated without regard to costs of sales and purchase, and without offset for any associated taxes.

VALUATION METHODOLOGY

For the property interests in Group I, 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. For the land portion, we have made reference to the similar transaction in the locality and the published standard land price from the local authorities.

For the property interests in Group II, which are currently rented and occupied by the Group in the PRC, they are considered to have no commercial value either because of their

non-assignability in the market or because there are prohibitions against subletting and/or assignment contained in the respective lease and/or tenancy agreement or the lack of substantial profit rent.

ASSUMPTIONS

Our valuations have been made on the assumption that the owners sell the property interests on the 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 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.

We have assumed that all consents, approvals and licenses from relevant government authorities for the buildings and structures erected or to be erected on the sites have been granted. Also, we have assumed that unless otherwise stated, all buildings and structures erected on the sites are held by the owners or permitted to be occupied by the owners.

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 utilization of the land and improvements is within the boundaries of the property interests described and that no encroachment or trespass exists unless noted in the valuation certificate.

Other special assumptions and qualifications for each property, if any, have been stated in the footnotes of the valuation certificate for the respective property.

TITLE INVESTIGATION

We have been provided with extracts of documents in relation to the title of the property interests situated in the PRC. However, we have not scrutinized 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 ("PRC legal opinion") given by the Zhong Lun law firm 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 properties included in the attached valuation certificate. However, no structural survey has been made and we are therefore unable to report as to whether the properties are or are not free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

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

In valuing the property interests, we have complied with all the requirements contained in Paragraph 34(2), (3) of Schedule 3 of the Companies Ordinance (Cap. 32), Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited, the RICS Appraisal and Valuation Standards (5th Edition May 2003) published by the Royal Institute of Chartered Surveyors and the HKIS Valuation Standards on Properties (1st Edition 2005) published by the Hong Kong Institute of Chartered Surveyors.

Unless otherwise stated, all monetary amounts stated in this report are in Renminbi (RMB).

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

Yours faithfully,

For and on behalf of

AMERICAN APPRAISAL CHINA LIMITED

Calvin K. C. Chan

MRICS MHKIS RPS(GP) CREA CFA

Vice President

Note: Mr. Calvin K. C. Chan, who is a Chartered Valuation Surveyor, has over 10 years experience in valuation of properties in Hong Kong and the PRC.

SUMMARY OF VALUATION

Group I — Property interests held by the Group in the PRC

Property	Capital value in existing state as at 31 May 2007 (RMB)
1. An Industrial Complex located at Houxiang Town, Danyang City Jiangsu Province The People's Republic of China	159,990,000
2. An Industrial Complex located at Houxiang Town, Danyang City Jiangsu Province The People's Republic of China	146,990,000
TOTAL	306,980,000

SUMMARY OF VALUATION

Group II — Property interests rented by the Group in the PRC

Property	Capital value in existing state as at 31 May 2007 (RMB)
3. Tiangong building located at Binjiang Avenue North, Houxiang Town, Danyang City, Jiangsu Province The People's Republic of China	No commercial value
4 No 1 Linti Street Daowai District Haerbin City Heilongjiang Province The People's Republic of China	No commercial value
5 Nos. 5-8, Yaozi Pu, Lishuwan Industry Zone, Chongqing City The People's Republic of China	No commercial value
6 A Unit in No. 4 Xinglongzai, Xiaohe district, Guiyang City Guizhou Province The People's Republic of China	No commercial value

VALUATION CERTIFICATE

Group I — Property interests held by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Capital Value in existing state as at 31 May 2007 (RMB)
1. An Industrial Complex located at Houxiang Town, Danyang, Jiangsu Province The People's Republic of China	The subject property comprises an industrial complex erected on 5 parcels of land with a total site area of approximately 239,530.20 square meters. The industrial complex consists of 129 buildings and other auxiliary structures, which were completed in between 1984 to 2006. The total gross floor area of the buildings is approximately 142,566.49 square meters.	The property is occupied by the Group as office, workshop, warehouse and other auxiliary facilities.	159,990,000

Notes:

- Pursuant to the State-owned Land Use Rights Certificate Dan Guo Yong (2007) No 00026 issued by the People's Government of Danyang, a parcel of land located in Houxiang Town with a site area of approximately 65,140 square meters was held by Jiangsu Tiangong Tools Company Limited, a wholly owned subsidiary of the Company, for a term expiry on 9 June 2053 for industrial use.
- Pursuant to the State-owned Land Use Rights Certificate Dan Guo Yong (2007) No 00028 issued by the People's Government of Danyang, a parcel of land located in Houxiang Town with a site area of approximately 44,725.5 square meters was held by Jiangsu Tiangong Tools Company Limited, a wholly owned subsidiary of the Company, for a term expiry on 8 October 2055 for industrial use.
- Pursuant to the State-owned Land Use Rights Certificate Dan Guo Yong (2007) No 00029 issued by the People's Government of Danyang, a parcel of land located in Houxiang Town with a site area of approximately 72,238.2 square meters was held by Jiangsu Tiangong Tools Company Limited, a wholly owned subsidiary of the Company, for a term expiry on 8 October 2055 for industrial use.
- Pursuant to the State-owned Land Use Rights Certificate Dan Guo Yong (2007) No 00031 issued by the People's Government of Danyang, a parcel of land located in Houxiang Town with a site area of approximately 42,271.4 square meters was held by Jiangsu Tiangong Tools Company Limited, a wholly owned subsidiary of the Company, for a term expiry on 8 October 2055 for industrial use.
- Pursuant to the State-owned Land Use Rights Certificate Dan Guo Yong (2007) No 00027 issued by the People's Government of Danyang, a parcel of land located in Houxiang Town with a site area of approximately 15,155.1 square meters was held by Jiangsu Tiangong Tools Company Limited, a wholly owned subsidiary of the Company, for a term expiry on 9 June 2053 for industrial use.

- 6 Pursuant to 28 Building Ownership Certificates, 129 buildings with a total gross floor area of approximately 142,566.49 square meters were held by Jiangsu Tiangong Tools Company Limited, a wholly-owned subsidiary of the Company, details of which abstracted from the Building Ownership Certificate and the information provided by the Group are listed as follows:

	Building Name	Building Ownership Certificate No.	Gross Floor Area (sq.m.)	Year of Completion	No. of Storey
1	Ancillary Room	Dan Fang Quan Zheng HouXiang Zi No. 15001007	273.60	1995	1
2	Oil Station	Dan Fang Quan Zheng HouXiang Zi No. 15001007	125.83	2002	1
3	Workshop	Dan Fang Quan Zheng HouXiang Zi No. 15001007	1,487.68	2006	1
4	Workshop	Dan Fang Quan Zheng Houxiang Zi No.15001007	2,127.07	2004	1
5	Workshop	Dan FangQuanZheng Houxiang Zi No.15001007	4,530.76	2004	1
6	Workshop	Dan Fang Quan Zheng Houxiang Zi No.15001005	2,808.43	2001	1
7	Workshop	Dan Fang Quan Zheng Houxiang Zi No. 15001005	393.68	2002	1
8	Workshop	Dan Fang Quan Zheng Houxiang Zi No. 15001005	4,029.03	2002	1
9	Ancillary Room	Dan Fang Quan Zheng Houxiang Zi No. 15001005	72.88	2002	1
10	Ancillary Room	Dan Fang Quan Zheng Houxiang Zi No. 15001005	309.39	2004	1
11	Workshop	Dan Fang Quan Zheng Houxiang Zi No.15000999	420.00	1984	1
12	Workshop	Dan Fang Quan Zheng Houxiang Zi No. 15000999	44.10	1998	1
13	Workshop	Dan Fang Quan Zheng Houxiang Zi No. 15000999	160.86	1998	1
14	Workshop	Dan Fang Quan Zheng Houxiang Zi No. 15000999	333.04	1985	1
15	Workshop	Dan Fang Quan Zheng Houxiang Zi No. 15000999	123.55	1985	1
16	Tool Packing Workshop	Dan Fang Quan Zheng Houxiang Zi No.15001003	1,221.80	2004	1
17	Workshop	Dan Fang Quan Zheng Houxiang Zi No. 15001003	1,586.85	2004	1
18	Workshop	Dan Fang Quan Zheng Houxiang Zi No. 15001003	2,421.00	2001	1
19	Boiler Room	Dan Fang Quan Zheng Houxiang Zi No. 15001003	160.00	1997	1
20	Switching Room	Dan Fang Quan Zheng Houxiang Zi No. 15001003	499.92	1999	1
21	Workshop	Dan Fang Quan Zheng Houxiang Zi No.15001004	1,533.60	2004	1
22	Toilet	Dan Fang Quan Zheng Houxiang Zi No. 15001004	100.86	1996	1
23	Factory Building	Dan Fang Quan Zheng Houxiang Zi No. 15001004	1,660.32	2004	1
24	Ancillary Room	Dan Fang Quan Zheng Houxiang Zi No. 15001004	133.06	2004	1
25	Heat Treatment Workshop	Dan Fang Quan Zheng Houxiang Zi No. 15001004	4,293.77	2001	1

	Building Name	Building Ownership Certificate No.	Gross Floor Area (sq.m.)	Year of Completion	No. of Storey
26	Workshop	Dan Fang Quan Zheng Houxiang Zi No.15001001	714.21	1999	1
27	Heat Treatment Workshop	Dan Fang Quan Zheng Houxiang Zi No. 15001001	1,064.00	1999	1
28	Workshop	Dan Fang Quan Zheng Houxiang Zi No. 15001001	678.10	1995	1
29	Workshop	Dan Fang Quan Zheng Houxiang Zi No. 15001001	86.40	1999	1
30	Factory Building	Dan Fang Quan Zheng Houxiang Zi No. 15001001	576.03	1994	1
31	Workshop	Dan Fang Quan Zheng Houxiang Zi No.15001000	274.51	1998	1
32	Workshop	Dan Fang Quan Zheng Houxiang Zi No. 15001000	1,277.60	1995	1
33	Workshop	Dan Fang Quan Zheng Houxiang Zi No. 15001000	2,401.25	2006	1
34	Workshop	Dan Fang Quan Zheng Houxiang Zi No. 15001000	512.00	1994	1
35	Switching Room	Dan Fang Quan Zheng Houxiang Zi No. 15001000	139.44	1994	1
36	Workshop	Dan Fang Quan Zheng Houxiang Zi No.15000998	550.80	1996	1
37	Toilet	Dan Fang Quan Zheng Houxiang Zi No. 15000998	20.40	1984	1
38	Switching Room	Dan Fang Quan Zheng Houxiang Zi No. 15000998	96.57	1986	1
39	Warehouse	Dan Fang Quan Zheng Houxiang Zi No. 15000998	90.63	1996	1
40	Warehouse	Dan Fang Quan Zheng Houxiang Zi No. 15000998	97.27	1984	1
41	Packing Workshop	Dan Fang Quan Zheng Houxiang Zi No.15000997	276.32	1984	1
42	Warehouse	Dan Fang Quan Zheng Houxiang Zi No. 15000997	277.20	1996	1
43	Chemical Room	Dan Fang Quan Zheng Houxiang Zi No. 15000997	378.00	1996	1
44	No 2 factory	Dan Fang Quan Zheng Houxiang Zi No. 15000997	512.00	1995	1
45	Warehouse	Dan Fang Quan Zheng Houxiang Zi No. 15000997	80.00	1996	1
46	Workshop	Dan Fang Quan Zheng Houxiang Zi No.15000995	461.46	1995	1
47	Antenna factory	Dan Fang Quan Zheng Houxiang Zi No.15001012	3,168.98	2001	1
48	Workshop	Dan Fang Quan Zheng Houxiang Zi No. 15001012	974.68	1994	1
49	Workshop	Dan Fang Quan Zheng Houxiang Zi No. 15001012	636.79	2001	1
50	Steel Warehouse	Dan Fang Quan Zheng Houxiang Zi No. 15001012	1,518.05	1994	1
51	Warehouse	Dan Fang Quan Zheng Houxiang Zi No. 15001012	238.54	2002	1
52	Workshop	Dan Fang Quan Zheng Houxiang Zi No.15000994	339.63	1993	1

APPENDIX IV

PROPERTY VALUATION

	Building Name	Building Ownership Certificate No.	Gross Floor Area (sq.m.)	Year of Completion	No. of Storey
53	Switching Room	Dan Fang Quan Zheng Houxiang Zi No. 15000994	119.92	1992	1
54	Office Building	Dan Fang Quan Zheng Houxiang Zi No. 15000994	353.36	1997	1
55	Workshop	Dan Fang Quan Zheng Houxiang Zi No. 15000994	399.01	2001	1
56	Factory Building	Dan Fang Quan Zheng Houxiang Zi No. 15000994	736.42	2002	1
57	Workshop	Dan Fang Quan Zheng Houxiang Zi No.15001008	2,195.65	1992	1
58	Workshop	Dan Fang Quan Zheng Houxiang Zi No. 15001008	418.76	1993	1
59	Workshop	Dan Fang Quan Zheng Houxiang Zi No. 15001008	463.72	1993	2
60	No 6 Workshop	Dan Fang Quan Zheng Houxiang Zi No. 15001008	2,915.62	1997	1
61	Workshop	Dan Fang Quan Zheng Houxiang Zi No. 15001008	1,783.34	1994	1
62	Office Building (Old)	Dan Fang Quan Zheng Houxiang Zi No.15001006	273.32	1995	3
63		Dan Fang Quan Zheng Houxiang Zi No. 15001006	1,596.87	1995	3
64	No 4 Workshop	Dan Fang Quan Zheng Houxiang Zi No. 15001006	1,734.48	1996	1
65	Toilet	Dan Fang Quan Zheng Houxiang Zi No. 15001006	37.24	2000	1
66	Repair Workshop	Dan Fang Quan Zheng Houxiang Zi No. 15001006	422.85	1992	1
67	Workshop	Dan Fang Quan Zheng Houxiang Zi No.15001018	560.23	1992	1
68	Office Building (Old)	Dan Fang Quan Zheng Houxiang Zi No. 15001018	32.60	2000	1
69		Dan Fang Quan Zheng Houxiang Zi No. 15001018	29.47	2000	1
70		Dan Fang Quan Zheng Houxiang Zi No. 15001018	43.27	2000	1
71	Print Workshop	Dan Fang Quan Zheng Houxiang Zi No. 15001018	2,344.01	2002	1
72	Warehouse	Dan Fang Quan Zheng Houxiang Zi No.15001009	903.56	2000	3
73		Dan Fang Quan Zheng Houxiang Zi No. 15001009	2,831.55	2000	3
74		Dan Fang Quan Zheng Houxiang Zi No. 15001009	342.80	2000	1
75		Dan Fang Quan Zheng Houxiang Zi No. 15001009	439.60	2000	1
76	Warehouse	Dan Fang Quan Zheng Houxiang Zi No. 15001009	248.13	2002	1
77	Switching Room	Dan Fang Quan Zheng Houxiang Zi No.15001017	311.27	1998	1
78	Warehouse	Dan Fang Quan Zheng Houxiang Zi No. 15001017	4,001.02	1999	1
79	Workshop	Dan Fang Quan Zheng Houxiang Zi No. 15001017	2,213.22	1998	1

APPENDIX IV**PROPERTY VALUATION**

	Building Name	Building Ownership Certificate No.	Gross Floor Area (sq.m.)	Year of Completion	No. of Storey
80	Loadometer Room	Dan Fang Quan Zheng Houxiang Zi No. 15001017	70.96	1995	1
81	Ancillary Room	Dan Fang Quan Zheng Houxiang Zi No. 15001017	369.50	1995	1
82	Carpenter Room	Dan Fang Quan Zheng Houxiang Zi No.15000989	161.67	1996	1
83	Ancillary Room	Dan Fang Quan Zheng Houxiang Zi No. 15000989	57.81	2004	1
84	Ancillary Room	Dan Fang Quan Zheng Houxiang Zi No. 15000989	39.11	2004	1
85	Workshop	Dan Fang Quan Zheng Houxiang Zi No. 15000989	1,667.55	2006	1
86	New factory Building	Dan Fang Quan Zheng Houxiang Zi No. 15000989	1,667.55	2006	1
87	Workshop	Dan Fang Quan Zheng Houxiang Zi No.15001016	963.84	1994	1
88	Workshop	Dan Fang Quan Zheng Houxiang Zi No. 15001016	772.63	1995	1
89	Ancillary Room	Dan Fang Quan Zheng Houxiang Zi No. 15001016	34.25	2006	1
90	Ancillary Room	Dan Fang Quan Zheng Houxiang Zi No. 15001016	31.52	1996	1
91	Workshop	Dan Fang Quan Zheng Houxiang Zi No. 15001016	1,694.15	2006	1
92	Workshop	Dan Fang Quan Zheng Houxiang Zi No.15001015	2,030.09	1995	1
93	Warehouse	Dan Fang Quan Zheng Houxiang Zi No. 15001015	209.29	1995	1
94	Spectrum Room	Dan Fang Quan Zheng Houxiang Zi No. 15001015	144.85	1996	1
95	Workshop	Dan Fang Quan Zheng Houxiang Zi No. 15001015	2,703.17	2002	1
96	Toilet	Dan Fang Quan Zheng Houxiang Zi No. 15001015	37.24	1995	1
97	Toilet	Dan Fang Quan Zheng Houxiang Zi No.15001014	35.14	1995	1
98	Workshop	Dan Fang Quan Zheng Houxiang Zi No. 15001014	988.09	1995	1
99	Ancillary Room	Dan Fang Quan Zheng Houxiang Zi No. 15001014	39.11	2006	1
100	Ancillary Room	Dan Fang Quan Zheng Houxiang Zi No. 15001014	57.16	2006	1
101	Ancillary Room	Dan Fang Quan Zheng Houxiang Zi No. 15001014	130.75	2006	1
102	Workshop	Dan Fang Quan Zheng Houxiang Zi No.15000991	1,498.49	1994	3
103	Workshop	Dan Fang Quan Zheng Houxiang Zi No. 15000991	1,222.87	1993	1
104	Steel Warehouse	Dan Fang Quan Zheng Houxiang Zi No. 15000991	1,024.08	1996	1
105	Ancillary Room	Dan Fang Quan Zheng Houxiang Zi No. 15000991	92.00	1995	1
106	Ancillary Room	Dan Fang Quan Zheng Houxiang Zi No. 15000991	82.06	1993	1

	Building Name	Building Ownership Certificate No.	Gross Floor Area (sq.m.)	Year of Completion	No. of Storey
107	Workshop	Dan Fang Quan Zheng Houxiang Zi No.15001011	1,031.43	2002	3
108	Switching Room	Dan Fang Quan Zheng Houxiang Zi No. 15001011	253.55	1995	1
109	Ancillary Room	Dan Fang Quan Zheng Houxiang Zi No. 15001011	52.58	1995	1
110	Ancillary Room	Dan Fang Quan Zheng Houxiang Zi No. 15001011	61.40	1995	1
111	Toilet	Dan Fang Quan Zheng Houxiang Zi No. 15001011	74.98	1995	1
112	Workshop	Dan Fang Quan Zheng Houxiang Zi No.15000993	11,632.34	2004	1
113	Switching Room	Dan Fang Quan Zheng Houxiang Zi No. 15000993	282.07	2004	2
114	Steel Warehouse	Dan Fang Quan Zheng Houxiang Zi No. 15000993	12,843.76	2004	1
115	Workshop	Dan Fang Quan Zheng Houxiang Zi No. 15000993	4,266.41	2002	1
116	Toilet	Dan Fang Quan Zheng Houxiang Zi No.15000993	46.56	2004	1
117	Workshop	Dan Fang Quan Zheng Houxiang Zi No.15000992	4,642.94	2004	1
118	Workshop	Dan Fang Quan Zheng Houxiang Zi No. 15000992	3,283.16	2002	1
119	Ancillary Room	Dan Fang Quan Zheng Houxiang Zi No. 15000992	255.00	2004	1
120	Ancillary Room	Dan Fang Quan Zheng Houxiang Zi No. 15000992	26.21	2004	1
121	Workshop	Dan Fang Quan Zheng Houxiang Zi No. 15000992	5,426.38	2001	1
122	Workshop	Dan Fang Quan Zheng Houxiang Zi No.15001010	647.36	1994	1
123	Workshop	Dan Fang Quan Zheng Houxiang Zi No. 15001010	378.00	2000	1
124	Workshop	Dan Fang Quan Zheng Houxiang Zi No. 15001010	546.00	1994	1
125	Workshop	Dan Fang Quan Zheng Houxiang Zi No. 15001010	378.00	1985	1
126	Toilet	Dan Fang Quan Zheng Houxiang Zi No. 15001010	44.28	1994	1
127	Warehouse	Dan Fang Quan Zheng Houxiang Zi No.15000996	1,175.25	1994	3
128	Office Building	Dan Fang Quan Zheng Houxiang Zi No.15001013	1,119.33	1994	1
129	Workshop	Dan Fang Quan Zheng Houxiang Zi No.15001013	231.34	2001	3
7	Pursuant to the Business License Qi DU Zhen Dan Zong Zi No. 000668 issued by Zhenjiang City Danyang Industry and Commerce Administrative Bureau on 19 October 2006, Jiangsu Tiangong Tools Company Limited was registered with a registered capital of RMB 202,300,000				
8	The PRC legal opinion states, inter alia, that:				
	a. Jiangsu Tiangong Tools Company Limited has legally obtained the ownership and title of the subject property.				
	b. Jiangsu Tiangong Tools Company Limited is entitled to freely transfer, let and mortgage the property respectively.				

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital Value in existing state as at 31 May 2007 (RMB)
2. An Industrial Complex located at Houxiang Town, Danyang, Jiangsu Province The People's Republic of China	<p>The subject property comprises an industrial complex erected on a parcel of land with a site area of approximately 169,926.5 square meters.</p> <p>The industrial complex consists of 6 buildings and other auxiliary structures, which were completed in between 2004 to 2005. The total gross floor area of the buildings is approximately 67,200.76 square meters.</p> <p>The subject property also includes 2 buildings, with the gross floor area of approximately 12,079.6 square meters which are under construction at the valuation date (the "CIP Properties"). The total construction cost of approximately RMB7,369,680 has been incurred as at the valuation date. They are scheduled to be completed by the end of 2007.</p>	The property is occupied by the Group as office, workshop, warehouse and other auxiliary facilities.	146,990,000

Notes:

- Pursuant to the State-owned Land Use Rights Certificate Dan Guo Yong (2003) No.4568 issued by the People's Government of Danyang City, a parcel of land located in Houxiang Town with a site area of approximately 169,926.5 square meters was held by Tiangong Aihe Special Steel Company Limited, a wholly owned subsidiary of the Company, for a term expiry on 9 June 2053 for industrial use.
- According to the information provided by the Group, a parcel of land, with a site area of approximately 169,926.5 square meters, of the State-owned Land Use Rights Certificate Dan Guo Yong (2003) No.4568 is subject to a charge in favour of Construction Bank of China Danyang City Branch with a term expiring on 20 April 2011 as security for a loan facility of up to RMB 30,000,000.00 with a term expiring on 20 April 2011.
- Pursuant to 4 Real Estate Ownership Certificates, 6 buildings with a total gross floor area of approximately 67,200.76 square meters were held by Tiangong Aihe Special Steel Company Limited, a wholly owned subsidiary of the Company, details of which abstracted from the Real Estate Ownership Certificate and the information provided by the Group are listed as follows:

	Building Name	Building Ownership Certificate No.	Gross Floor Area (sq.m.)	Year of Completion	No. of Storey
1	Repair Room	Dan Fang Quan Zheng Houxiang Zi No.15000526	7,603.98	2004	1
2	Workshop	Dan Fang Quan Zheng Houxiang Zi No.15000604	14,982.07	2004	1
3	No 1 Workshop	Dan Fang Quan Zheng Houxiang Zi No.15000525	24,197.10	2005	1
4	110KVA Switching Room	Dan Fang Quan Zheng Houxiang Zi No.15000986	517.45	2005	1
5	No 3 workshop	Dan Fang Quan Zheng Houxiang Zi No.15000986	15,982.68	2005	1
6	Office building	Dan Fang Quan Zheng Houxiang Zi No.15000986	3,917.48	2005	1

- According to the information provided by the Group, 3 buildings, with a total gross floor area of 46,783.15 square meters, represented by Building Ownership Dan Fang Quan Zeng Houxiang Zi No. 15000525, 15000526 and 15000604, are subject to a charge in favour of Construction Bank of China Danyang City Branch as security for a loan facility of up to RMB 40,000,000.00 with a term expiring on 20 April 2011.
- Pursuant to the Construction Engineering Commencement Permit Nos. 321181200612160401 and 321181200510200503, issued by Construction Bureau of Houxiang Town, Danyang City, 2 buildings, with a total gross floor of approximately 12,079.6 square meters, was permitted to be developed.

6. Pursuant to the Business License Qi Du Su Zong Zi No. 000295 issued by Jiang Su Province Industry and Commerce Administrative Bureau on 13 March 2007, Tiangong Aihe Special Steel Company Limited was registered with a registered capital of RMB 401,438,000.
7. The capital value of the property excludes the construction cost of CIP Properties incurred.
8. The PRC legal opinion states, inter alia, that:
 - a. Tiangong Aihe Special Steel Company Limited has legally obtained the ownership and title of the subject property.
 - b. Tiangong Aihe Special Steel Company Limited is entitled to freely transfer, let and mortgage the property respectively.
 - c. As for the CIP Property, the relevant permit and consent for the construction has been granted legally. Tiangong Aihe Special Steel Company Limited is authorized to construct the aforesaid CIP Property.

VALUATION CERTIFICATE

Group II — Property interests rented by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Capital Value in existing state as at 31 May 2007 (RMB)
3. Tiangong building located at Binjiang Avenue North, Houxiang Town, Danyang City, Jiangsu Province The People's Republic of China	<p>The subject property comprises five floors in a 8-storey building completed in or about 2003.</p> <p>The property comprises a gross floor area of approximately 8,000 square meters.</p> <p>The property is rented by Jiangsu Tiangong Tools Company Limited, a wholly owned subsidiary of the Company, from Jiangsu Tiangong Group Company Limited, a related third party, for a term commencing from 1 January 2007 to 31 December 2009 at an annual rent of RMB 600,000</p>	The property is occupied by the Group for office use.	No commercial value

Note:

The PRC legal opinion states, inter alia, that:

- a. Jiangsu Tiangong Group Company Limited, a related third party and a connected person, has legally obtained the ownership and title of the property and also has the right to let the property to Jiangsu Tiangong Tools Company Limited, a wholly owned subsidiary of the Company.
- b. The subject lease agreement is valid and legally binding.

Property	Description and tenure	Particulars of occupancy	Capital Value in existing state as at 31 May 2007 (RMB)
4. No 1 Linti Street Daowai District Harbin City Heilongjiang Province The People's Republic of China	<p>The subject property comprises several rooms competed in or about 1996.</p> <p>The property comprises a gross floor area of approximately 800 square meters.</p> <p>The property is rented by Harbin Branch of Jiangsu Tiangong Tools Company Limited (江蘇天工工具有限公司哈爾濱高速鋼銷售分公司), a wholly owned subsidiary of the Company, from Harbin Rizhao Slab factory (哈爾濱日照板房廠), an independent third party, for a term commencing from 1 September 2006 to 30 August 2009 at an annual rent of RMB 90,000</p>	The property is occupied by the Group for storage and office use.	No commercial value

Note:

The PRC legal opinion states, inter alia, that:

- a. Harbin Rizhao Slab factory (哈爾濱日照板房廠), an independent third party, has legally obtained the ownership and title of the property and also has the right to let the property to the Harbin Branch of Jiangsu Tiangong Tools Company Limited (江蘇天工工具有限公司哈爾濱高速鋼銷售分公司).
- b. The subject lease agreement is valid and legally binding.

Property	Description and tenure	Particulars of occupancy	Capital Value in existing state as at 31 May 2007 (RMB)
5. Nos. 5-8, Yaozi Pu, Lishuwan Industry Zone, Chongqing City The People's Republic of China	<p>The subject property comprises four singled-storey units completed in or about 2002.</p> <p>The property comprises a gross floor area of approximately 600 square meters.</p> <p>The property is rented by Jiangsu Tiangong Tools Company Limited, a wholly owned subsidiary of the Company, from Chongqing Zhongce Steel Company Limited (重慶市中策特鋼有限公司), an independent third party, for a term commencing from 30 March 2006 to 5 April 2008 at an annual rent of RMB 80,000</p>	The property is occupied by the Group for commercial use.	No commercial value

Note:

The PRC legal opinion states, inter alias, that:

- a. Chongqing Shapinba District Heyuan Livestock Farm (重慶市沙坪區合元畜牧養殖場), an Independent Third Party, has legally obtained the ownership and title of the property and also has the right to let the property to Chongqing Zhongce Steel Company Limited (重慶市中策特鋼有限公司), an independent third party, meanwhile, Chongqing Zhongce Steel Company Limited (重慶市中策特鋼有限公司), an independent third party, is authorized to relet the subjected property.
- b. The subject lease agreement is valid and legally binding.

Property	Description and tenure	Particulars of occupancy	Capital Value in existing state as at 31 May 2007 (RMB)
6. A Unit in No. 4 Xinglongzai, Xiaohe district, Guiyang City Guizhou Province The People's Republic of China	<p>The subject property comprises a room on ground floor of a multi-storey building completed in or about 2002.</p> <p>The property comprises a gross floor area of approximately 73.44 square meters.</p> <p>The property is rented by the Guiyang Branch of Jiangsu Tiangong Tools Company Limited (江蘇天工工具有限公司貴陽分公司), a wholly owned subsidiary of the Company, from Li zhengrong (李正榮), an independent third party, for a term commencing from 1 January 2007 to 31 December 2011 at a monthly rent of RMB 600.</p>	The property is occupied by the Group for commercial use.	No commercial value

Note:

The PRC legal opinion states, inter alia, that:

- a. Li zhengrong (李正榮), an independent third party, has legally obtained the ownership and title of the property and also has the right to let the property to the Guiyang Branch of Jiangsu Tiangong Tools Company Limited (江蘇天工工具有限公司貴陽分公司).
- b. The subject lease agreement is valid and legally binding.