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BEST STAR GROUP LIMITED

好星集團有限公司

*(incorporated in the British Virgin Islands
with limited liability)*

LEI SHING HONG LIMITED

利星行有限公司

(incorporated in Hong Kong with limited liability)
(Stock Code: 238)

**PROPOSAL TO PRIVATISE LEI SHING HONG LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 166 OF THE COMPANIES ORDINANCE
AND
PROPOSED WITHDRAWAL OF LISTING OF
LEI SHING HONG LIMITED**

**Financial adviser to
Best Star Group Limited
好星集團有限公司**



**Independent financial adviser to the Independent Board Committee of
Lei Shing Hong Limited**



Quam Capital Limited

Capitalised terms used on this cover page shall have the same meanings as in this document unless the context otherwise requires. A letter from the Board is set out on pages 8 to 11 of this document. An Explanatory Statement regarding the Scheme of Arrangement is set out on pages 28 to 45 of this document. A letter from the Independent Board Committee containing its advice to the Minority Shareholders in relation to the Proposal is set out on pages 12 to 13 of this document. A letter from Quam Capital Limited, being the independent financial adviser to the Independent Board Committee, containing its advice to the Independent Board Committee in relation to the Proposal is set out on pages 14 to 27 of this document.

The actions to be taken by the Minority Shareholders are set out on pages 44 to 45 of this document.

Notices convening the Court Meeting and the Extraordinary General Meeting to be held in Hong Kong on Monday, 25 February 2008 are set out on pages 349 to 353 of this document. Whether or not you are able to attend the Court Meeting or the Extraordinary General Meeting or any adjournment thereof, you are strongly urged to complete and sign the enclosed pink form of proxy in respect of the Court Meeting and the enclosed white form of proxy in respect of the Extraordinary General Meeting, in accordance with the instructions printed thereon and to lodge them with the Company at its registered office at 8th Floor New World Tower I, 18 Queen's Road Central, Hong Kong as soon as possible, but in any event not later than 48 hours before the time appointed for the holding of the relevant meeting. In the case of the pink form of proxy in respect of the Court Meeting, it may alternatively be handed to the chairman of the Court Meeting at the Court Meeting if it is not so lodged. In order to be valid, the white form of proxy for use at the Extraordinary General Meeting must be lodged no later than 48 hours before the time of the Extraordinary General Meeting. Completion and return of the forms of proxy will not preclude a member from attending and voting in person at the relevant meeting or any such adjourned meeting if the member so wishes. In such event, the relevant form of proxy shall be deemed to have been revoked.

CONTENTS

	<i>Page</i>
Definitions	1
Expected timetable	6
Letter from the Board	8
Letter from the Independent Board Committee	12
Letter from Quam Capital	14
Explanatory Statement	28
Appendix I – Financial information relating to the Group	46
Appendix II – Property valuation – Hong Kong and China	136
Appendix III – Property valuation – Korea	287
Appendix IV – Property valuation – Taiwan	307
Appendix V – Property valuation – Singapore	315
Appendix VI – Property valuation – Vietnam	321
Appendix VII – General information	329
Scheme of Arrangement	340
Notice of Court Meeting	349
Notice of Extraordinary General Meeting	352

DEFINITIONS

In this document, the following expressions shall have the meanings respectively set opposite them unless the context requires otherwise:

“acting in concert”	has the meaning given to it in the Takeovers Code
“Amerdale Investments”	Amerdale Investments Limited, a company originally incorporated in the Isle of Man with limited liability and subsequently redomiciled to the Republic of the Marshall Islands whose beneficial owner is Mr. Lau Gek Poh, and a member of the Consortium
“Announcement”	the announcement dated 7 December 2007 jointly issued by the Offeror and the Company in relation to the Proposal
“Associate(s)”	has the meaning given to it in the Takeovers Code
“Authorizations”	all necessary authorizations, registrations, filings, rulings, consents, permissions and approvals in connection with the Proposal
“Board”	the board of directors of the Company
“Cancellation Consideration”	the consideration of HK\$10.00 in cash for every Scheme Share cancelled
“CCASS”	the Central Clearing and Settlement System established and operated by the HKSCC
“Companies Ordinance”	Companies Ordinance, Chapter 32 of the Laws of Hong Kong
“Company”	Lei Shing Hong Limited 利星行有限公司, a company incorporated in Hong Kong with limited liability and the securities of which are listed on the Stock Exchange
“Consortium”	the group whose members are identified as such in the table under the section headed “Information on the Consortium” in the Explanatory Statement appearing on pages 38 to 39 of this document

DEFINITIONS

“Court Meeting”	a meeting of the Minority Shareholders to be convened at the direction of the High Court for the purpose of approving the Scheme of Arrangement, notice of which is set out on pages 349 to 351 of this document, and any adjournment thereof
“Director(s)”	director(s) of the Company
“Effective Date”	the date on which the Scheme of Arrangement becomes effective, which is expected to be 12 March 2008
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Explanatory Statement”	the explanatory statement set out on pages 28 to 45 of this document in connection with the Scheme of Arrangement issued in compliance with Section 166A of the Companies Ordinance
“Extraordinary General Meeting”	an extraordinary general meeting of the Company to be convened for the purpose of approving the reduction of the share capital of the Company and implementing the Scheme of Arrangement, notice of which is set out on pages 352 to 353 of this document, and any adjournment thereof
“Group”	the Company and its subsidiaries
“High Court”	High Court of Hong Kong
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“holder”	a registered holder of the Shares and includes a person entitled by transmission to be registered as such and joint holders
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Independent Board Committee”	an independent committee of the Board comprising Mr. Christopher Patrick Langley, Mr. Victor Yang, Mr. Lam Kwong Yu, Mr. Fung Ka Pun, Mr. Hubert Meier and Mr. Alan Howard Smith, all being non-executive Directors, established for the purpose of advising the Minority Shareholders in respect of the Proposal
“Jointly Owned Shares”	the 546,000 Shares held in the name of Wellmix Enterprise Limited, being a member of the Consortium, and beneficially owned by Wellmix Enterprise Limited and Mr. Chan Man Chit jointly
“Last Trading Date”	2 November 2007, being the last day on which the Shares were traded before the publication of the Announcement
“Latest Practicable Date”	25 January 2008, being the latest practicable date prior to the printing of this document for ascertaining certain information contained herein
“Lau Concert Parties”	Mr. Lau Kwok Kee and Mr. Lau Yu Ting, each being a holder of 200,000 Shares and presumed to be a party acting in concert with certain members of the Consortium and the Offeror
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Minority Shareholders”	Shareholders other than those holding the Shares in which members of the Consortium are interested
“Mr. Lau Gek Poh”	Mr. Lau Gek Poh, being the beneficial owner of Amerdale Investments and of certain associates of Amerdale Investments as described on pages 37 to 39 of this document and the controlling shareholder (as defined in the Listing Rules) of the Company
“Mr. Yaw Teck Seng”	Mr. Yaw Teck Seng, being the beneficial owner of Victon Investment together with certain family members and of certain associates of Victon Investment as described on pages 37 to 39 of this document and a substantial shareholder (as defined in the Listing Rules) of the Company

DEFINITIONS

“Offeror”	Best Star Group Limited 好星集團有限公司, a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Amerdale Investments as at the Latest Practicable Date
“Option Scheme”	the share option scheme of the Company adopted on 25 June 1997
“Optionholder(s)”	holder(s) of Options granted under the Option Scheme
“Option(s)”	option(s) granted to the Optionholders under the Option Scheme
“Preliminary Announcement”	the announcement dated 24 July 2007 issued by the Company in relation to the Proposal
“PRC”	People’s Republic of China
“Proposal”	the proposed privatisation of the Company by the Offeror by way of the Scheme of Arrangement
“Quam Capital”	Quam Capital Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser to the Independent Board Committee
“Record Time”	4:00 p.m. Hong Kong time on the trading day immediately preceding the Effective Date, being the record time for determining entitlements of the holders of the Scheme Shares under the Scheme of Arrangement
“Registrar of Companies”	the Registrar of Companies appointed under the Companies Ordinance
“Relevant Authorities”	appropriate governments or governmental bodies, regulatory bodies, courts or institutions, including the SFC and the Stock Exchange
“Relevant Period”	the period commencing on the date falling six months prior to the date of the Preliminary Announcement and ending on the Latest Practicable Date

DEFINITIONS

“Scheme of Arrangement”	the scheme of arrangement between the Company and the holders of the Scheme Shares under Section 166 of the Companies Ordinance as set out on pages 340 to 348 of this document, with or subject to any modification thereof or addition thereto or conditions approved or imposed by the High Court
“Scheme Share(s)”	Share(s) in issue at the Record Time other than those in which members of the Consortium are interested, but including the Jointly Owned Shares
“SFC”	Securities and Futures Commission
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Shareholder(s)”	holder(s) of the Shares
“Share(s)”	ordinary share(s) of HK\$1.00 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Code on Takeovers and Mergers issued by the SFC
“Victon Investment”	Victon Investment Limited, a company incorporated in Hong Kong with limited liability under the control of Mr. Yaw Teck Seng and whose beneficial owners are Mr. Yaw Teck Seng and members of his family, and a member of the Consortium
“%” or “per cent.”	per centum

EXPECTED TIMETABLE

Hong Kong time
(unless otherwise stated)

Latest time for lodging transfers of the Shares in order to qualify for attending and voting at the Court Meeting and the Extraordinary General Meeting.	4.00 p.m. on Wednesday, 20 February 2008
Closure of register of members (<i>Note 1</i>)	Thursday, 21 February 2008 to Monday, 25 February 2008 (both days inclusive)
Latest time for lodging forms of proxy in respect of Court Meeting (<i>Note 2</i>)	10:00 a.m. on Saturday, 23 February 2008
Extraordinary General Meeting (<i>Note 2</i>)	11:00 a.m. on Saturday, 23 February 2008
Court Meeting	10:00 a.m. on Monday, 25 February 2008
Extraordinary General Meeting	11:00 a.m. on Monday, 25 February 2008 (or so soon thereafter as the Court Meeting shall have been concluded or adjourned)
Announcement of the results of the Court Meeting and the Extraordinary General Meeting	Monday, 25 February 2008
Latest time for lodging transfers of the Shares in order to qualify for entitlements under the Scheme of Arrangement	4:00 pm on Thursday, 6 March 2008
Closure of register of members (<i>Note 3</i>)	Friday, 7 March 2008 to Tuesday, 11 March 2008 (both days inclusive)
Record Time	4:00 p.m. on Tuesday, 11 March 2008
High Court hearing of the petition to sanction the Scheme of Arrangement (<i>Note 4</i>)	Tuesday, 11 March 2008

EXPECTED TIMETABLE

Announcement of the results of the High Court hearing of the petition to sanction the Scheme of Arrangement	Tuesday, 11 March 2008
Effective Date (<i>Note 4</i>)	Wednesday, 12 March 2008
Announcement of, inter alia, the Effective Date and the withdrawal of the listing of the Shares	Wednesday, 12 March 2008
Withdrawal of the listing of the Shares on the Stock Exchange	9:30 a.m. on Monday, 17 March 2008
Cheques for the payment of the Cancellation Consideration to be despatched on or before	Thursday, 20 March 2008

Shareholders should note that the above timetable is dependent on among other things the availability of dates for the High Court to hear proceedings relating to the Scheme of Arrangement, and is therefore subject to change. Further announcement(s) will be made in the event that there is any change.

Notes:

- (1) The register of members of the Company will be closed during such period for the purpose of determining entitlements of the Minority Shareholders to attend and vote at the Court Meeting and the Shareholders to attend and vote at the Extraordinary General Meeting. For the avoidance of doubt, this period of closure is not for determining entitlements under the Scheme of Arrangement.
- (2) Both forms of proxy in respect of the Court Meeting and the Extraordinary General Meeting should be lodged with the Company at its registered office at 8th Floor, New World Tower I, 18 Queen's Road Central, Hong Kong as soon as possible and by the times and dates stated above. In the case of the pink form of proxy in respect of the Court Meeting, it may alternatively be handed to the chairman of the Court Meeting at the Court Meeting if it is not so lodged. The white form of proxy for the Extraordinary General Meeting must be lodged no later than the time and date stated above in order for it to be valid. Completion and return of the forms of proxy will not preclude a member from attending and voting in person at the relevant meeting or any such adjourned meeting if the member so wishes. In such event, the relevant form of proxy shall be deemed to have been revoked.
- (3) The register of members of the Company will be closed during such period for the purpose of determining holders of the Scheme Shares who will be qualified for entitlements under the Scheme of Arrangement.
- (4) The Scheme of Arrangement shall become effective when it is sanctioned (with or without modification) by the High Court and an office copy of the order of the High Court, together with the minute containing the particulars required by Section 61 of the Companies Ordinance, are delivered to and registered by the Registrar of Companies.



LEI SHING HONG LIMITED

利星行有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 238)

Executive Directors:

Mr. David Park, AMN (*Chairman*)
Mr. Gan Khian Seng (*Managing Director*)
Mr. Yong Foo San, JP
Ms. Lim Mooi Ying, Marianne

Registered Office:

8/F New World Tower I
18 Queen's Road Central
Hong Kong

Non-executive Directors:

Mr. Christopher Patrick Langley, OBE
Mr. Victor Yang
Mr. Lam Kwong Yu, SBS

Independent Non-executive Directors:

Mr. Fung Ka Pun
Mr. Hubert Meier
Mr. Alan Howard Smith, JP

29 January 2008

To the Minority Shareholders

Dear Sir or Madam,

**PROPOSAL TO PRIVATISE LEI SHING HONG LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 166 OF THE COMPANIES ORDINANCE
AND
PROPOSED WITHDRAWAL OF LISTING OF
LEI SHING HONG LIMITED**

INTRODUCTION

Further to the Preliminary Announcement of 24 July 2007, it was jointly announced by the Offeror and the Company on 7 December 2007 that on 29 November 2007, the Offeror had requested the Board to put forward to the Minority Shareholders the Proposal to be implemented by a scheme of arrangement under Section 166 of the Companies Ordinance

LETTER FROM THE BOARD

which, if completed, would result in the Company becoming wholly-owned by members of the Consortium and the Offeror. At a meeting of the Board held on 4 December 2007, the Board agreed to put forward the Proposal as it considered the Proposal to be appropriate for consideration by the Minority Shareholders. Upon the successful implementation of the Proposal, the listing of the Shares will be withdrawn from the Stock Exchange in accordance with Rule 6.15 of the Listing Rules.

The Independent Board Committee, comprising Mr. Christopher Patrick Langley, Mr. Victor Yang, Mr. Lam Kwong Yu, Mr. Fung Ka Pun, Mr. Hubert Meier and Mr. Alan Howard Smith, all being non-executive Directors of the Company, was formed to advise the Minority Shareholders in respect of the Proposal. For this purpose the Company, the Board and the Independent Board Committee have appointed Quam Capital as the independent financial adviser to advise the Independent Board Committee on the Proposal.

The purpose of this document is to provide you with further information regarding the Proposal and to give you notices of the Court Meeting and the Extraordinary General Meeting.

THE PROPOSAL

Subject to the conditions described in the section headed “Conditions of the Proposal” in the Explanatory Statement on pages 28 to 45 of this document being fulfilled or waived (as applicable), the Proposal will be implemented by way of the Scheme of Arrangement.

Under the Scheme of Arrangement, the holders of the Scheme Shares will receive from the Offeror as Cancellation Consideration for the cancellation of their Scheme Shares:

HK\$10.00 in cash for every Scheme Share held by them.

The Scheme of Arrangement will entail the cancellation of all of the Scheme Shares on the Effective Date. As at the Latest Practicable Date, members of the Consortium were interested in an aggregate of 1,019,947,189 Shares, representing approximately 95.9206% of the issued Shares, and the Minority Shareholders held in total 43,377,099 Shares including the Jointly Owned Shares, representing approximately 4.0794% of the issued Shares. In addition to the cancellation of the 43,377,099 Shares, any further Shares that may be issued to the Minority Shareholders between the Latest Practicable Date and the Record Time will also be cancelled. Those Shares in which members of the Consortium were interested will not form part of the Scheme Shares. Given the holders’ relationship with certain beneficial owners of the Shares held by some of the members of the Consortium, the Jointly Owned Shares and those Shares held or beneficially owned by parties acting in concert with members of the Consortium, being the Lau Concert Parties and Mr. Chan Man Chit, will not be entitled to be voted at the Court Meeting although the Shares held by the aforementioned parties will form part of the Scheme Shares.

LETTER FROM THE BOARD

The Cancellation Consideration represents a premium of approximately 89% over the closing price of the Shares as quoted on the Stock Exchange on 20 July 2007, being the last trading day before the suspension of the Shares pending publication of the Preliminary Announcement, and a premium of approximately 104% and 119% over the average closing price of the Shares as quoted on the Stock Exchange for the one month and three months ended 20 July 2007, respectively.

Ownership structure of the Company

The table below sets out the ownership structure of the Company as at the Latest Practicable Date and immediately upon the completion of the Proposal:

Owners	As at the Latest Practicable Date		Upon completion of the Proposal	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Members of the Consortium	1,019,947,189	95.9206	1,019,947,189	95.9206
Minority Shareholders	43,377,099*	4.0794	–	–
The Offeror	–	–	43,377,099	4.0794
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total issued share capital	<u>1,063,324,288</u>	<u>100.0000</u>	<u>1,063,324,288</u>	<u>100.0000</u>

* The 43,377,099 Shares held by the Minority Shareholders forming part of the Scheme Shares include the Jointly Owned Shares, an aggregate of 400,000 Shares held by the Lau Concert Parties, the 61,750 Shares beneficially owned by Mr. Chan Man Chit and registered in his name except 2,000 Shares of which are held in the name of HKSCC Nominees Limited and an aggregate of 872,000 Shares held by certain Directors, namely Mr. David Park, Mr. Gan Khian Seng, Mr. Yong Foo San and Ms. Lim Mooi Ying, Marianne.

As at the Latest Practicable Date, the Company did not have any outstanding options (including any Options), warrants, derivatives or convertible securities.

Options under the Option Scheme

As at the Latest Practicable Date, all Options previously granted by the Company under the Option Scheme since its adoption on 25 June 1997 had either been exercised or expired and no Option remained outstanding and exercisable. In particular, the 2,726,000 Options that were outstanding and exercisable as at the date of the Announcement have all been exercised. Accordingly, the Offeror will no longer be making the cash (or any other) offer to cancel the Options under the Option Scheme as indicated in the Announcement.

Total cash consideration and confirmation of financial resources

On the basis of the Cancellation Consideration of HK\$10.00 per Scheme Share, the total cash consideration payable under the Proposal is approximately HK\$433.8 million. UBS AG, the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to implement the Proposal fully in accordance with its terms.

LETTER FROM THE BOARD

Effects of the Scheme of Arrangement and reasons for the Proposal

You are urged to read carefully the sections entitled “Effects of the Scheme of Arrangement” and “Reasons for the Proposal” in the Explanatory Statement appearing respectively on page 34 and page 35 of this document.

INFORMATION ON THE COMPANY

Your attention is drawn to the section headed “Information on the Company” in the Explanatory Statement, which appears on pages 35 to 36 of this document, as well as the financial information of the Group set out in Appendix I to the Explanatory Statement on pages 46 to 135 of this document and the property valuations set out in Appendices II to VI to the Explanatory Statement on pages 136 to 328 of this document.

INFORMATION ON THE OFFEROR AND THE CONSORTIUM

Information on the Offeror and the Consortium is set out in the sections headed “Information on the Offeror” and “Information on the Consortium” in the Explanatory Statement on pages 36 to 37 and pages 37 to 40 respectively of this document.

MEETINGS

Your attention is drawn to the sections headed “Court Meeting and Extraordinary General Meeting” and “Actions to be taken” in the Explanatory Statement appearing on pages 43 to 45 of this document. The notices of the Court Meeting and the Extraordinary General Meeting are respectively set out on pages 349 to 351 and pages 352 to 353 of this document.

FURTHER INFORMATION

You are urged to read carefully the letters from the Independent Board Committee which contains its recommendation to the Minority Shareholders in relation to the Proposal and from Quam Capital, the independent financial adviser, as set out on pages 12 to 13 and pages 14 to 27 respectively of this document and the Explanatory Statement in respect of the Scheme of Arrangement, together with the appendices thereto, as set out on pages 28 to 339 of this document. In addition, the terms of the Scheme of Arrangement are set out on pages 340 to 348 of this document.

Yours faithfully,
For and on behalf of the Board
LEI SHING HONG LIMITED
David Park
Chairman



LEI SHING HONG LIMITED

利星行有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 238)

29 January 2008

To the Minority Shareholders

Dear Sir or Madam,

**PROPOSAL TO PRIVATISE LEI SHING HONG LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 166 OF THE COMPANIES ORDINANCE
AND
PROPOSED WITHDRAWAL OF LISTING OF
LEI SHING HONG LIMITED**

Terms defined in the document of even date issued by the Company to the Shareholders of which this letter forms part (the “Document”) shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed by the Board as the Independent Board Committee to make recommendations to the Minority Shareholders in respect of the Proposal.

Having considered the terms of the Proposal and taking into account the advice of Quam Capital, in particular the factors, reasons and recommendations as set out in the letter from Quam Capital appearing on pages 14 to 27 of the Document, we consider that the terms of the Proposal are fair and reasonable so far as the Minority Shareholders are concerned. Accordingly, we recommend that the Minority Shareholders vote in favour of the resolution for the approval of the Scheme of Arrangement to be proposed at the Court Meeting and the special resolution to be proposed at the Extraordinary General Meeting for the approval and implementation of the Proposal.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee draws the attention of the Minority Shareholders to (i) the letter from the Board; (ii) the Explanatory Statement; and (iii) the letter from Quam Capital, which sets out the factors and reasons taken into consideration in arriving at its recommendations to the Independent Board Committee, contained in the Document.

Yours faithfully,

Fung Ka Pun
Christopher Patrick Langley

Hubert Meier
Victor Yang
Independent Board Committee

Alan Howard Smith
Lam Kwong Yu

LETTER FROM QUAM CAPITAL

The following is the full text of the letter of advice from Quam Capital, the independent financial adviser to the Independent Board Committee, which has been prepared for the purpose of incorporation into this scheme document, setting out its advice to the Independent Board Committee in respect of the terms of the Proposal.



Quam Capital Limited 華富嘉洛企業融資有限公司

A Member of The Quam Group

29 January 2008

To the Independent Board Committee
Lei Shing Hong Limited
8/F New World Tower I
18 Queen's Road
Central
Hong Kong

Dear Sir or Madam,

**PROPOSAL TO PRIVATISE LEI SHING HONG LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 166 OF THE COMPANIES ORDINANCE
AND
PROPOSED WITHDRAWAL OF LISTING OF
LEI SHING HONG LIMITED**

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee in relation to the proposed privatisation of the Company by way of a Scheme of Arrangement under Section 166 of the Companies Ordinance and the subsequent withdrawal of listing of the Shares on the Stock Exchange. Details of the Proposal are contained in the scheme document relating to the Proposal issued to the Shareholders dated 29 January 2008 (the "Scheme Document") of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Scheme Document unless the context requires otherwise.

The Board comprises four executive directors, three non-executive directors and three independent non-executive directors. The Independent Board Committee, comprising Messrs Christopher Patrick Langley, Victor Yang, Lam Kwong Yu, Fung Ka Pun, Hubert Meier and Alan Howard Smith, all being the non-executive Directors and the independent non-executive Directors, has been established to consider and to make recommendations to the Minority Shareholders on the terms of the Proposal.

In our capacity as the independent financial adviser to the Independent Board Committee, our role is to provide the Independent Board Committee with an independent opinion and recommendation as to whether the terms of the Proposal are fair and reasonable. We are not

LETTER FROM QUAM CAPITAL

associated or connected with the Company, the Offeror, their respective substantial Shareholders or any party acting, or presumed to be acting, in concert with any of them and, accordingly, we are considered eligible to give independent advice to the Independent Board Committee on the Proposal. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, the Offeror, their respective substantial Shareholders or any party acting, or presumed to be acting, in concert with any of them.

In formulating our advice and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the executive Directors and management of the Company, which we have assumed to be true, accurate and complete as at the date of this letter. We have reviewed the published information on the Company and the Offeror, including their annual reports for the five financial years ended 31 December 2006 and the interim results for the six months ended 30 June 2007. We have also reviewed the trading performance of the Shares on the Stock Exchange and considered the future intention of the Offeror regarding the Company.

We have sought and received confirmation from the executive Directors that no material facts have been omitted from the information supplied and opinions expressed by them to us in connection with the Proposal. We consider that the information which we have received is sufficient for us to reach our advice and recommendation as set out in this letter and to justify our reliance on such information. We have no reason to doubt the truth and accuracy of the information provided to us or that any material facts have been omitted or withheld. We have also assumed that all statements and representations made or referred to in the Scheme Document will continue to be true at the date of the Court Meeting and the Extraordinary General Meeting. We have, however, not conducted any independent investigation into the businesses and affairs of the Group.

TERMS OF THE PROPOSAL

In summary, the Proposal involves the following principal steps:

- (i) all the Scheme Shares held by the holders of the Scheme Shares will be cancelled and in consideration thereof, the holders will be paid HK\$10.00 in cash for each Scheme Share held;
- (ii) the authorised and issued share capital of the Company will be reduced by the par value of the Scheme Share cancelled and the Company will be privately owned by members of the Consortium and the Offeror and the listing of the Shares on the Stock Exchange will be withdrawn; and
- (iii) upon the reduction of capital taking effect, the authorised capital of the Company will be restored to its former amount by the creation of new Shares, which will be equal to the number of the Scheme Shares cancelled. With the amount of credit arising from the reduction, the new Shares so created will be credited as fully paid and issued to the Offeror.

The Scheme of Arrangement is subject to a number of conditions, including, but not limited to, the High Court sanction of the Scheme of Arrangement and approval by at least three-fourths in value of the votes, taken by poll, cast by a majority in number of the Minority

Shareholders (excluding the holders of the Jointly Owned Shares and the Shares in which Mr. Chan Man Chit is beneficially interested and the Lau Concert Parties) present and voting at the Court Meeting, and dissenting votes, taken by poll, against the Scheme of Arrangement at the Court Meeting cast by the Minority Shareholders (excluding the holders of the Jointly Owned Shares and the Shares in which Mr. Chan Man Chit is beneficially interested and the Lau Concert Parties) not exceeding 10% of the votes attaching to the Shares held by the Minority Shareholders (excluding the holders of the Jointly Owned Shares and the Shares in which Mr. Chan Man Chit is beneficially interested and the Lau Concert Parties). The Minority Shareholders (excluding the holders of the Jointly Owned Shares and the Shares in which Mr. Chan Man Chit is beneficially interested and the Lau Concert Parties) held 42,369,349 Shares as at the Latest Practicable Date and 10% of such Shares amounted to about 4,236,935 Shares. Further details of the terms and conditions of the Proposal are set out in the “Explanatory Statement” in the Scheme Document (the “Explanatory Statement”).

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation regarding the Proposal, we have considered the following principal factors and reasons:

1. Reasons for the Proposal

The reasons for the Proposal are also set out in the Explanatory Statement.

The Group is principally engaged in the trading of motor vehicles and spare parts and provision of after-sales services, trading of heavy equipment and provision of product support services, property development and investment, general trading, securities broking and trading and money lending. As stated in the Explanatory Statement, the trading volume of the Shares has been thin for the past years. For the period from 21 July 2006 up to and including 20 July 2007, being the last full trading day before the suspension of the Shares pending publication of the Preliminary Announcement (the “July Suspension Day”), the Shares have been traded within the range of HK\$3.30 to HK\$7.60 per Share with an average closing price of about HK\$3.81 per Share. The average daily trading volume of the Shares over the same period was about 2,684 Shares or 0.0003% of the issued share capital of the Company as at the Latest Practicable Date.

In addition, as stated in the Explanatory Statement, there has been a high concentration of shareholding in the Company in the hands of the members of the Consortium who, in total, held approximately 95.92% of the issued share capital of the Company. This implied only 43,377,099 Shares or approximately 4.08% of the issued share capital of the Company were owned by the Minority Shareholders. Therefore, the directors of the Offeror and the Company believe that it is difficult for the Minority Shareholders to divest their investments in the Company. They also believe that it is unlikely that the Minority Shareholders will receive any other general offer from a third party to acquire their Shares, as any such offer will not succeed without the approval of the members of the Consortium.

In view of the above, the Offeror has requested the Board to put forward the Proposal to the Minority Shareholders for consideration. The Directors believe that the Proposal provides an opportunity for all the Minority Shareholders to realise their investments in the Company at a premium over the prevailing average market prices of the Shares.

LETTER FROM QUAM CAPITAL

Our analysis on the market price and trading volume of the Shares is set out under section 6 below.

If the Scheme of Arrangement becomes effective, the Company will, subject to the approval of the Stock Exchange, withdraw the listing of the Shares on the Stock Exchange. However, in the event that the Scheme of Arrangement is withdrawn, not approved or lapses, the listing of the Shares on the Stock Exchange will not be withdrawn subject to the Company restoring its public float.

2. Historical financial results of the Group

The following is a summary of the unaudited financial results of the Group for the six months ended 30 June 2007 and the audited financial results for the three years ended 31 December 2006:

	Six months ended 30 June 2007 (Note 1) HK\$ million	Year ended 31 December 2006 (Note 2) HK\$ million	2005 (Note 2) HK\$ million (Restated)	2004 (Note 3) HK\$ million (Restated)
Turnover:				
Automobile Division	8,017	12,883	8,833	5,154
Machinery Division	1,994	2,655	2,217	1,962
Property Division	825	622	473	129
General Trading Division	1,110	1,608	4,344	3,700
Others	102	74	(6)	98
Eliminations (Note 4)	(90)	(150)	(2,562)	(2,409)
Total	11,958	17,692	13,299	8,634
Operating profit:				
Automobile Division	371	641	295	137
Machinery Division	71	97	71	85
Property Division	4	5	255	(24)
General Trading Division	8	44	77	54
Others	(10)	24	(64)	107
Eliminations (Note 4)	(1)	(13)	(29)	(17)
Total	443	798	605	342
Profit attributable to equity holders of the Company	425	315	286	260
Dividend for the year/period	NIL	32	32	32

Notes:

1. Extracted from the 2007 interim report of the Company.
2. Extracted from the 2006 annual report of the Company.
3. The figures are provided by the Company and have been restated to reflect the changes in the accounting policies.
4. To eliminate intersegment turnover and operating profits among the business segments.

(i) Turnover and segment results

The Automobile Division

The Group's Automobile Division operates dealerships for a portfolio of premium brands in Northeast Asia including Mercedes-Benz in the People's Republic of China (the "PRC"), South Korea, Taiwan and Vietnam; Porsche in South Korea and Vietnam; and Smart in Taiwan. The Company is also in partnership with Daimler AG Group holding a significant equity stake in Mercedes-Benz distribution companies in the PRC, Korea and Taiwan, the latter through an associate company. The division is also engaged in the provision of after-sales services.

The Automobile Division is the largest business segment within the Group, accounted for about 73% and 80% of the Group's total turnover and operating profit respectively for the year ended 31 December 2006. The operation has shown an upward trend in turnover and the operating profit for the past three financial years. The division's turnover and operating profit of about HK\$12,833 million and HK\$641 million for the year ended 31 December 2006 represented an increase of about 46% and 117% respectively over the same period in the previous year. As stated in the 2006 annual report of the Company, the increases were mainly due to the growth of the market in the PRC and the import segment in Korea. The division has also completed a transition whereby the retail dealer group in the PRC is put under a unified management structure.

For the six months ended 30 June 2007, the division's turnover and operating profit increased by about 29% and 10% respectively compared with the same period last year. The increases are attributable to the positive market response to the introduction of new models of Mercedes-Benz and the accelerating growth in imported vehicle market segment in the region.

The Machinery Division

The Group's Machinery Division operates as the Caterpillar dealer in the PRC and Taiwan and has been growing in sales for the past three financial years. The division's turnover of about HK\$2,655 million and operating profit of about HK\$97 million accounted for about 15% and 12% of the Group's total turnover and operating profit respectively for the year ended 31 December 2006, and represented an increase of about 20% and 37% from the turnover of about HK\$2,217 million and operating profit of about HK\$71 million respectively for the same period in 2005. For the six months ended 30 June 2007, the division recorded turnover of about HK\$1,994 million and operating profit of about HK\$71 million, or an increase of about 34% and 26% respectively over the same period of 2006. The increases in turnover and operating profit during these periods are mainly due to the improved new machine and product support sales in the PRC and Taiwan.

The Property Division

The division is engaged in the development of properties in the PRC. For the year ended 31 December 2006, the division's turnover and operating profit amounted to about HK\$622 million and HK\$5 million, representing respectively about 32% increase and 98% decrease from the same period of 2005. The increase in turnover is mainly due to the recognition of sales of residential units in Shanghai. As advised by the Company, the significant decrease in operating profit is mainly due to lower profit margins for 2006 sales and higher operating expenses due to increase in turnover.

For the six months ended 30 June 2007, the Group recorded turnover of about HK\$825 million and operating profit of about HK\$4 million, representing respectively about 45% increase and about 93% decrease from the same period of 2006. The increase in turnover is mainly due to the sales of 92% of "Starcrest" Phase II, a residential development in Beijing, being recognised as revenue in the first half of 2007. As advised by the Company, the significant decrease in operating profit is mainly due to lower profit margins for 2007 sales and higher operating expenses due to increase in turnover.

It is noted in the Company's 2007 interim report that for the "Starcrest" project in Beijing, construction permits were granted for both Phases III and IV and construction work has already commenced and expected to be completed by the middle of 2008. The commercial project in Beijing, LSH Plaza, is anticipated to be completed in the first half of 2008. LSH Plaza is located 15 kilometers away from the airport.

The General Trading Division

The division specialises in commodity-based products, watch components, fertiliser trading and trade financing, with operations based in Hong Kong, Singapore and the PRC. Excluding the intersegment turnover and operating profit, the overall performance of the division for the year ended 31 December 2006 was adversely affected by the lower external sales of about HK\$1,458 million, a decrease of about 18% from the same period of the previous year.

For the six months ended 30 June 2007, sales and operating profit amounted to about HK\$1,110 million and about HK\$8 million, representing an increase of about 68% and a decrease of about 56% respectively. The increase in sales is mainly due to the major sales and trade financing project in Singapore. The decrease in operating profit is mainly due to (i) the major correction of overall timber market in the PRC resulting from the continuing underlying market weakness in finished wood-products; (ii) the fierce competition, declining unit prices of watch component sales; and (iii) the continuing Japanese Yen weakness.

(ii) Net profit

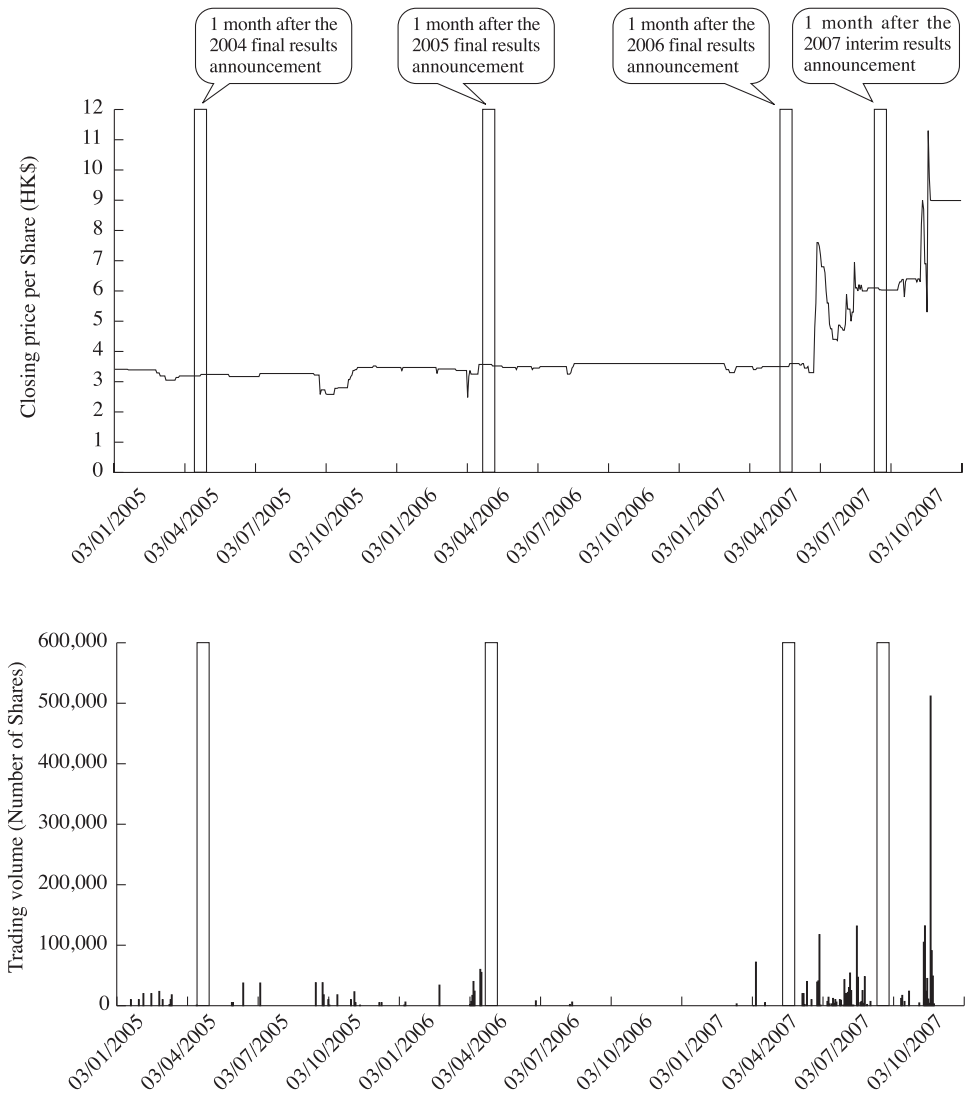
Unlike the substantial increase in the Group's total sales for the three years ended 31 December 2006, the Group's net profit maintained a consistent growth of about 10% per year during the period. For the six months ended 30 June 2007, the unaudited consolidated profit attributable to equity holders of the Company was about HK\$425 million, representing an increase of about 150% from about HK\$170 million for the same period of 2006. The increase is mainly due to the Group's share of profit of its associates which amounts to about HK\$306 million.

3. Business outlook

It is noted in the Company's annual report of 2006 and the 2007 interim report that the Directors remain optimistic about the long-term growth prospects of the Company. The Directors are confident that the economic outlook for Asia and for the PRC in particular, the major markets the Group operates, will remain strong.

LETTER FROM QUAM CAPITAL

In considering the above, we have reviewed the share price performance of the Company for the month immediately following the release of financial results for each of the three years ended 31 December 2006 and six months ended 30 June 2007 and the results are as follows:



Source: Website of the Stock Exchange

As shown in the charts above, despite the solid financial performance and consistent increase in the Company's net profit for each of the three years ended 31 December 2006, insignificant changes were recorded in trading price and volume of the respective share price performance. As for the slight fluctuation shown in trading price and volume of the Shares following the release of the 2007 interim results, it is likely that this is mainly due to the release of the Preliminary Announcement. As such, we are of the view that regardless of the Directors' confidence that the economic outlook for Asia and for the PRC in particular, the major markets the Group operates, will remain strong as disclosed in the 2007 interim report, the share price performance of the Company may not reflect the same going forward.

4. Dividend yield

According to the Company's annual reports for each of the three years ended 31 December 2006, the Company declared and paid dividends to the Shareholders in the amounts of approximately HK\$31.8 million (HK\$0.03 per share or HK\$30 per board lot of 1,000 Shares), with the respective dividend payout ratios of about 10% to 12%. Based on the closing price of HK\$8.99 as at the Last Trading Date, the dividend yield of the Shares is only 0.3%. In view of the historical low dividend payout ratio of the Company despite the continuing increase in the Group's net profit for each of the three years ended 31 December 2006, we consider that it is reasonable to expect the dividend payout ratio to remain the same in the future.

5. Comparisons

In order to assess the fairness and reasonableness of the Cancellation Consideration, we have considered other Hong Kong listed companies with principal activities similar to those of the Company (the "Comparable Companies"). Based on the publicly available information, we have identified, so far as we are aware, three Comparable Companies qualified for our analysis.

LETTER FROM QUAM CAPITAL

Set out below is our analysis of the price-to-earnings ratio (“PER”) and price-to-book ratio (“PBR”) for each of the Comparable Companies based on the respective closing price as at the Latest Practicable Date and that of the Company based on the Cancellation Consideration:

	Market capitalisation (HK\$ million) (Note 1)	Latest audited profit attributable to shareholders (HK\$ million) (Note 2)	Latest audited net asset value (HK\$ million) (Note 2)	PER (times) (Note 3)	PBR (times) (Note 4)
Wo Kee Hong (Holdings) Limited (Stock Code: 720)	181	7	304	25.48	0.60
GA Holdings Limited (Stock Code: 8126)	122	16	161	7.44	0.76
Tan Chong International Limited (Stock Code: 693)	5,033	574	5,170	8.77	0.97
Average				13.90	0.78
Company	10,633	315	5,771	33.73	1.84

Sources: Website of the Stock Exchange and the latest annual report of each of the respective Comparable Companies and the Company

Notes:

1. The market capitalisation (the “Market Cap”) of each of the Comparable Companies is calculated by multiplying the total number of issued shares outstanding with the closing share price as quoted on the Stock Exchange as at the Latest Practicable Date. The Market Cap of the Company is calculated by multiplying the total number of issued shares outstanding as at the Latest Practicable Date and the Cancellation Consideration.
2. The latest audited profit attributable to shareholders and the latest audited asset value have been extracted from the respective latest published annual report of the Company and the Comparable Companies, as appropriate.
3. The PER of each of the Company and the Comparable Companies is calculated by dividing the respective Market Cap by their respective audited profit attributable to shareholders based on the respective latest published annual report.
4. The PBR of each of the Company and the Comparable Companies is calculated by dividing the respective Market Cap by their respective audited net asset value based on their respective latest published annual report.

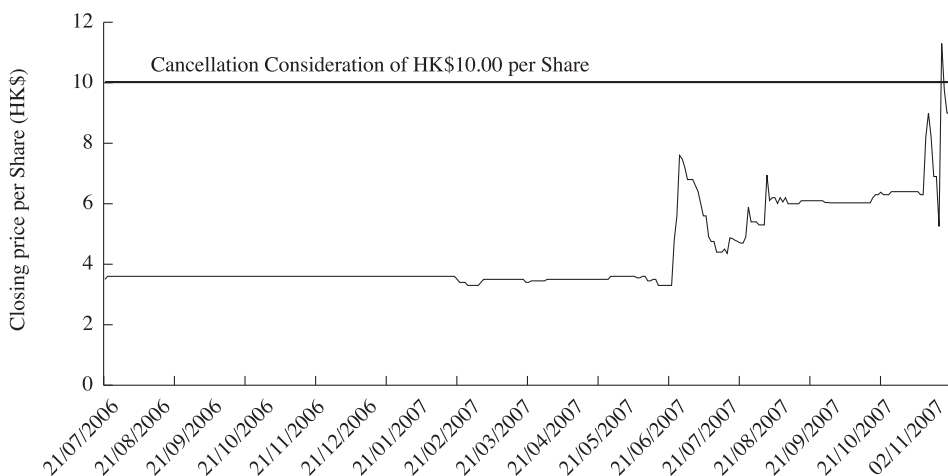
As shown in the table above, the PER represented by the Cancellation Consideration of about 33.73 times is substantially higher than those of the Comparable Companies, while the PBR represented by the Cancellation Consideration of about 1.84 times is also higher than those of the Comparable Companies. In this regard, we consider the Cancellation Consideration to be fair and reasonable and in the interests of the Minority Shareholders.

6. Share price and trading volume of the Shares

(i) Price performance of the Shares

The following illustrates the movement of the daily closing prices per Share as quoted on the Stock Exchange from 21 July 2006, being one year prior to the July Suspension Day (the “Pre-Announcement Period”) and from 25 July 2007 to the Last Trading Date (collectively known as the “Review Period”).

Closing price of the Share



Source: Website of the Stock Exchange

As shown in the price chart above, except for the closing price of HK\$11.30 per Share traded on 30 October 2007, the Shares traded below the Cancellation Consideration of HK\$10.00 per Share during the Review Period.

The Cancellation Consideration represents:

- a premium of approximately 88.68% over the closing price of HK\$5.30 per Share as quoted on the Stock Exchange as at the July Suspension Day;
- a premium of approximately 11.23% over the closing price of HK\$8.99 per Share as quoted on the Stock Exchange as at the Last Trading Date;
- a premium of approximately 12.89% over the average closing price of approximately HK\$8.86 per Share as quoted on the Stock Exchange over the last 5 trading days up to and including the Last Trading Date;
- a premium of approximately 19.77% over the average closing price of approximately HK\$8.35 per Share as quoted on the Stock Exchange over the last 10 trading days up to and including the Last Trading Date;

LETTER FROM QUAM CAPITAL

- a premium of approximately 42.47% over the average closing price of approximately HK\$7.02 per Share as quoted on the Stock Exchange over the last 30 trading days up to and including the Last Trading Date;
- a premium of approximately 53.57% over the average closing price of approximately HK\$6.51 per Share as quoted on the Stock Exchange over the last 3 months up to and including the Last Trading Date;
- a premium of approximately 75.38% over the average closing price of approximately HK\$5.07 per Share as quoted on the Stock Exchange over the last 6 months up to and including the Last Trading Date; and
- a premium of approximately 115.27% over the average closing price of approximately HK\$4.65 per Share as quoted on the Stock Exchange over the last 1 year up to and including the Last Trading Date.

It is noted that the closing price increased significantly from HK\$3.30 per Share on 1 June 2007 to HK\$7.60 per Share on 6 June 2007. Announcements were made by the Company on 4 June 2007 and 6 June 2007 respectively in respect of the unusual price and volume movements and stated that the volatility in the price and trading volume of the Shares may be due to the high concentration of shareholding in Victon Investment and Amerdale Investments and only 49,553,640 Shares or approximately 4.67% of the Company's issued share capital were in the hands of the public investors.

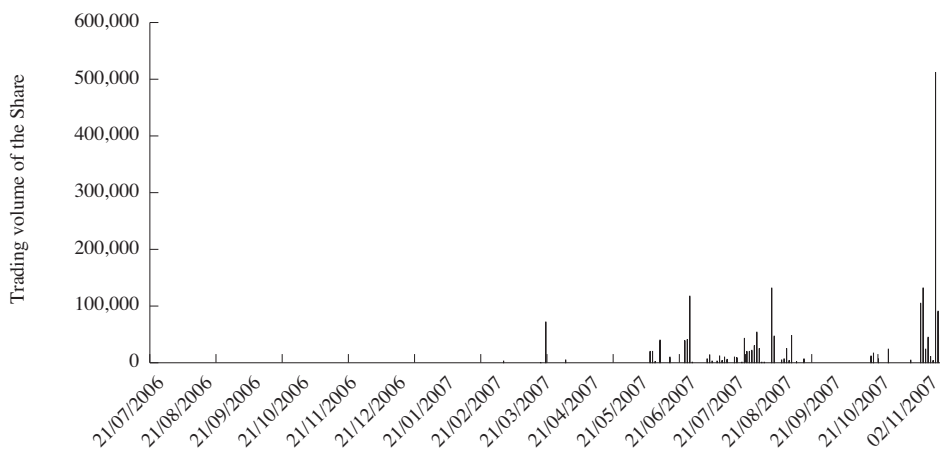
On 24 July 2007, the Company issued the Preliminary Announcement regarding a possible privatisation offer. Following the release of the Preliminary Announcement, the closing price of the Shares increased sharply again from HK\$5.30 per Share on 20 July 2007, which is immediately prior to the release of the Preliminary Announcement, to HK\$6.95 per Share on 25 July 2007.

We concur with the Directors' view that the unusual price and volume movement in the trading of the Shares since 4 June 2007 is mostly influenced by the high concentration of shareholding of the Company and the thin trading volume of the Shares as discussed in the following section and reflects the terms of the Proposal. As stated in the "Letter from the Board", in the event the Scheme of Arrangement is withdrawn or not approved or lapses, the listing of the Shares on the Stock Exchange will not be withdrawn subject to the Company restoring its public float. In our opinion, in the event the above should happen, it is likely that the market price per Share will be lower than the current level.

(ii) Trading volume of the Shares

The chart below sets out the trading volume of the Shares as quoted on the Stock Exchange during the Review Period.

Trading Volume of the Shares



Source: Website of the Stock Exchange

As shown in the above chart, there are only 57 trading days with transactions during the Review Period and the average daily trading volume of the Shares over the Review Period was about 6,197 Shares or 0.0006% of the issued share capital of the Company. Considering (i) the high concentration of shareholding of the Company as discussed in the sections above; and (ii) the thin trading volume of the Shares, in our view, the Minority Shareholders who wish to sell a significant number of their Shares in the market at this level of liquidity may cause certain downward pressure on the market price of the Shares. The Proposal therefore represents an opportunity for the Minority Shareholders to dispose of their entire shareholdings at the Cancellation Consideration if they so wish.

RECOMMENDATION

Having considered the above principal factors and reasons, we draw your attention to the following in arriving at our recommendation:

- (i) The past financial performance of the Company has not been fully reflected in the respective share price performance. It is likely that share price performance will continue to fail to reflect the financial performance of the Company;
- (ii) The low dividend payout is expected to remain at the same level in the future;
- (iii) The PER and PBR represented by the Cancellation Consideration are substantially higher than those of the Comparable Companies;

LETTER FROM QUAM CAPITAL

- (iv) The proposal provides an opportunity for all the Minority Shareholders to realise their investments in the Company at a premium to the closing prices of the Company on the Last Trading Date and the average closing share price for 5, 10, 30 days, 3 months, 6 months and 1 year up to and including the Last Trading Date respectively; and
- (v) Given the lack of liquidity in the trading of the Shares in the past, the Minority Shareholders who wish to sell a significant number of their Shares in the market may cause certain downward pressure on the market price of the Shares.

Based on the above, we consider the terms of the Proposal to be fair and reasonable so far as the Minority Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend the Minority Shareholders to vote in favour of the Scheme of Arrangement at the Court Meeting and the special resolution to approve the Scheme of Arrangement and the reduction of the share capital of the Company giving effect to the Scheme of Arrangement at the Extraordinary General Meeting.

Yours faithfully
For and on behalf of
Quam Capital Limited
Richard D. Winter
Managing Director

EXPLANATORY STATEMENT

This Explanatory Statement constitutes the statement required under Section 166A of the Companies Ordinance.

SCHEME OF ARRANGEMENT

INTRODUCTION

Further to the Preliminary Announcement of 24 July 2007, on 7 December 2007, the respective boards of directors of the Offeror and the Company announced that on 29 November 2007, the Offeror had requested the Board to put forward the Proposal for the privatisation of the Company to the Shareholders which would result in the withdrawal of the listing of the Shares on the Stock Exchange.

Upon the Scheme of Arrangement taking effect as set out in this document, the Company will become wholly-owned by members of the Consortium and the Offeror and the listing of the Shares will be withdrawn from the Stock Exchange.

The purpose of this Explanatory Statement is to explain the terms and effects of the Proposal, which is to be implemented by way of the Scheme of Arrangement, and to provide the Minority Shareholders with other relevant information in relation to the Scheme of Arrangement, including in particular any material interests of the Directors, whether as Directors or Shareholders or creditors of the Company or otherwise, and the effects of the Scheme of Arrangement thereon, in so far as they are different from the effect on the like interests of other persons as required by Section 166A of the Companies Ordinance.

THE PROPOSAL

Subject to the conditions of the Proposal being fulfilled or waived, as applicable, the Proposal is to be implemented by way of a scheme of arrangement under Section 166 of the Companies Ordinance between the Company and the Minority Shareholders. The Scheme of Arrangement involves a reduction in the authorised and issued capital of the Company by the cancellation of all of the Scheme Shares. Upon the reduction of capital taking effect, the authorised capital of the Company will be restored to its former amount by the creation of new Shares, which will be equal to the number of the Scheme Shares cancelled. With the amount of credit arising from the reduction, the new Shares so created will be credited as fully paid and issued to the Offeror. The Scheme of Arrangement provides that, in consideration of the cancellation of the Scheme Shares, the Minority Shareholders whose names appear on the register of members of the Company at the Record Time, which is expected to be 4 p.m. on 11 March 2008, will be entitled to receive from the Offeror:

HK\$10.00 in cash for every Scheme Share held by them.

EXPLANATORY STATEMENT

As at the Latest Practicable Date, there were 1,063,324,288 Shares in issue: the Minority Shareholders held an aggregate of 43,377,099 Shares (including the Jointly Owned Shares), representing approximately 4.0794% of the issued share capital of the Company, and members of the Consortium together held 1,019,947,189 Shares, representing approximately 95.9206% of the issued share capital of the Company. Shares in which members of the Consortium are interested will not form part of the Scheme Shares. Although the Jointly Owned Shares will become part of the Scheme Shares, because one of the co-owners, Wellmix Enterprise Limited, is a member of the Consortium, the other co-owner who is a director of Wellmix Enterprise Limited, Mr. Chan Man Chit, is presumed under the Takeovers Code to be acting in concert with the Consortium and the Offeror. Accordingly, Wellmix Enterprise Limited will not be entitled to attend and vote at the Court Meeting in respect of the Jointly Owned Shares. Further, other Shares in which parties presumed to be acting in concert with members of the Consortium and the Offeror are interested, namely, those belonging to the Lau Concert Parties and Mr. Chan Man Chit, will likewise not be represented or voted at the Court Meeting under the Takeovers Code. The Lau Concert Parties are relatives of certain beneficial owners of the Shares held by some of the members of the Consortium and hold an aggregate of 400,000 Shares, representing approximately 0.0376% of the issued Shares. Other than the Jointly Owned Shares, Mr. Chan Man Chit is also beneficially interested in 61,750 Shares as to 59,750 Shares which are held and registered in his own name and the remaining 2,000 Shares are held by HKSCC Nominees Limited.

On the bases of 43,377,099 Shares held by the Minority Shareholders becoming Scheme Shares and the Cancellation Consideration of HK\$10.00 per Scheme Share, the total cash consideration payable under the Proposal will amount to approximately HK\$433.8 million. UBS AG, the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to implement fully the Proposal in accordance with its terms.

The Scheme of Arrangement will lapse if it does not become effective on or before 30 June 2008 or such other date as the High Court may direct. In such event, the Minority Shareholders will be notified by way of a press announcement. Further announcement(s) on any change regarding the timetable of the Scheme of Arrangement will be made as and when necessary.

Assuming that the Scheme of Arrangement becomes effective on 12 March 2008, cheques for payment of the Cancellation Consideration are expected to be despatched to the holders of the Scheme Shares on or before 20 March 2008.

Settlement of the Cancellation Consideration to which the holders of the Scheme Shares are entitled under the Scheme of Arrangement will be implemented in full in accordance with the terms of the Scheme of Arrangement without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against any such holders of the Scheme Shares.

In the event that the Scheme of Arrangement becomes effective, the costs of the Scheme of Arrangement will be borne by the Offeror. These primarily consist of fees for financial advisers, legal advisers, property valuation, printing and other related charges. In the event that the Scheme of Arrangement is not approved at the Court Meeting or the Extraordinary General Meeting or does not become unconditional, all the expenses incurred by the Company in connection with the Scheme of Arrangement will be borne by the Consortium.

EXPLANATORY STATEMENT

COMPARISON OF VALUE AND FINANCIAL EFFECTS

Comparison of value

The Cancellation Consideration of HK\$10.00 in cash for every Scheme Share cancelled under the Scheme of Arrangement represents:

- a premium of approximately 89% over the closing price of the Shares of approximately HK\$5.30 per Share as quoted on the Stock Exchange on 20 July 2007, being the last full trading day before the suspension of the trading in the Shares pending publication of the Preliminary Announcement;
- a premium of approximately 104% over the average closing price of the Shares of approximately HK\$4.91 per Share as quoted on the Stock Exchange for the one month ended 20 July 2007;
- a premium of approximately 119% over the average closing price of the Shares of approximately HK\$4.57 per Share as quoted on the Stock Exchange for the three months ended 20 July 2007;
- a premium of approximately 148% over the average closing price of the Shares of approximately HK\$4.03 per Share as quoted on the Stock Exchange for the six months ended 20 July 2007;
- a premium of approximately 69% over the unaudited consolidated net asset value per Share of approximately HK\$5.93 as at 30 June 2007; and
- a premium of approximately 11% over the closing price of the Shares of HK\$8.99 per Share as quoted on the Stock Exchange on 2 November 2007, being the last day on which the Shares were traded before the suspension of trading in the Shares.

Net tangible assets

As at 31 December 2006, the audited consolidated net tangible assets of the Company amounted to approximately HK\$4,837.435 million, or approximately HK\$4.56 per Share based on 1,060,588,288 Shares in issue. The Cancellation Consideration represents a premium of approximately 119% over the audited consolidated net tangible asset per Share as at 31 December 2006.

The unaudited consolidated net tangible assets of the Company as at 30 June 2007, as adjusted for certain items as set out on page 133 in section 4 of Appendix I to this document, amounted to approximately HK\$6,258.540 million, or approximately HK\$5.90 per Share based on 1,060,588,288 Shares in issue as at 30 June 2007. The Cancellation Consideration represents a premium of approximately 69% over such unaudited adjusted consolidated net tangible asset per Share.

EXPLANATORY STATEMENT

In compliance with the requirements of the Takeovers Code, the Directors have commissioned updated property revaluations of the property interests of the Group as of 31 October 2007, details of which are set out in Appendices II to VI to this document.

For the purpose of this Explanatory Statement, consolidated net tangible assets means the aggregate of the amount paid up on the issued share capital, the consolidated capital and revenue reserves (including but not limited to the share premium account and retained profits) but after deducting all minority interests in subsidiaries and the value of intangible assets.

Earnings

The Company's audited consolidated profit attributable to the Shareholders for the year ended 31 December 2006 amounted to approximately HK\$315.215 million, representing earnings of approximately HK\$0.297 per Share.

Dividends

The Company paid a final dividend of HK\$0.03 per Share for the year ended 31 December 2006 on 30 May 2007.

CONDITIONS OF THE PROPOSAL

The Proposal will become effective and binding on the Company, the Offeror and all the holders of the Scheme Shares, subject to the fulfillment or waiver, as applicable, of the following conditions:

- (a) the approval of the Scheme of Arrangement (by way of poll) by a majority in number representing not less than three-fourths in value of the Minority Shareholders present and voting either in person or by proxy at the Court Meeting to be convened at the direction of the High Court (excluding the holders of the Jointly Owned Shares and the Shares in which Mr. Chan Man Chit is beneficially interested and the Lau Concert Parties) and the Scheme of Arrangement is not disapproved by the Minority Shareholders (excluding the holders of the Jointly Owned Shares and the Shares in which Mr. Chan Man Chit is beneficially interested and the Lau Concert Parties) at the Court Meeting holding more than 10% in nominal value of all the Scheme Shares held by the Minority Shareholders (excluding the holders of the Jointly Owned Shares and the Shares in which Mr. Chan Man Chit is beneficially interested and the Lau Concert Parties);
- (b) the passing of a special resolution by a majority of not less than 75% of the votes cast by the Shareholders present and voting in person or by proxy at the Extraordinary General Meeting to give effect to the Scheme of Arrangement, including the approval of the reduction of the capital of the Company by cancelling the Scheme Shares and the issue to the Offeror such number of new Shares as is equal to the number of the Scheme Shares cancelled;

EXPLANATORY STATEMENT

- (c) the sanction of the Scheme of Arrangement (with or without modifications) and the confirmation of the reduction of the share capital of the Company involved in the Scheme of Arrangement by the High Court;
- (d) an office copy of the order of the High Court, together with a minute relating to the reduction of the share capital of the Company containing the particulars required by Section 61 of the Companies Ordinance, being registered by the Registrar of Companies in Hong Kong;
- (e) all Authorizations in connection with the Proposal having been obtained from or granted by (as the case may be) the Relevant Authorities in Hong Kong and any other relevant jurisdictions;
- (f) all Authorizations 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 of the Relevant Authorities which is not expressly provided for, or is in addition to requirements expressly provided for, in the relevant laws, rules, regulations or codes in connection with the Proposal or any matters, documents (including circulars) or things relating thereto, in each case up to and at the time when the Scheme of Arrangement becomes effective; and
- (g) all necessary consents which may be required under any existing contractual obligations of the Group having been obtained and remaining in full force and effect without modification.

Condition (a), which represents the combined effect of Section 166 of the Companies Ordinance and Rule 2.10 of the Takeovers Code, to condition (d) cannot be waived in any event. In the event that condition (e) or condition (f) is not fulfilled, the Offeror reserves the right to assess the materiality of such non-fulfillment and to waive the fulfillment of any such condition to such extent as the Offeror considers appropriate. The Offeror reserves the right to waive condition (g) either in whole or in part in respect of any particular matter. All of the above conditions will have to be fulfilled or waived, as applicable, on or before 30 June 2008 (or such other date as the High Court may allow), otherwise the Proposal will lapse. If the Proposal is withdrawn or not approved or lapses, the listing of the Shares on the Stock Exchange will not be withdrawn, subject to the restoration of its public float by the Company.

Assuming that the above conditions are fulfilled or, as applicable, waived, the Scheme of Arrangement will become effective on the Effective Date, which is expected to be 12 March 2008, and the listing of the Shares on the Stock Exchange will be withdrawn on 17 March 2008 pursuant to Rule 6.15 of the Listing Rules.

An announcement will be made by the Offeror and the Company if the Scheme of Arrangement is withdrawn or lapses. Further announcements regarding the Proposal will be made as and when appropriate.

Section 166 of the Companies Ordinance

According to Section 166 of the Companies Ordinance, where an arrangement is proposed between a company and its members or any class of them, the High Court may, on the application in a summary way of the company or any member of the company, order a meeting of the members of the company or class of members, as the case may be, to be summoned in such manner as the High Court directs.

It is expressly provided in Section 166 of the Companies Ordinance 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 summoned as directed by the High Court as aforesaid, agree to any arrangement, the arrangement shall, if sanctioned by the High Court, be binding on all members or class of members, as the case may be, and also on the company.

Rule 2.10 of the Takeovers Code

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

- (a) the scheme of arrangement 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 of arrangement at such meeting is not more than 10% of the votes attaching to all disinterested shares.

In the case of the Scheme of Arrangement, the Shares which are deemed under the Takeovers Code to be disinterested comprise all the Shares held by the Minority Shareholders other than the Jointly Owned Shares, the Shares in which Mr. Chan Man Chit is beneficially interested, and those held by the Lau Concert Parties.

Approval requirements at the Court Meeting and the Extraordinary General Meeting

The procedures and voting arrangements at the Court Meeting are governed by directions given by the High Court. Condition (a) to the Proposal takes into account approval requirements under Rule 2.10 of the Takeovers Code in addition to the statutory requirements under Section 166 of the Companies Ordinance.

The reduction of the share capital of the Company involved in the Scheme of Arrangement is also required to be approved by the Shareholders in accordance with the Company's articles of association and Section 58 of the Companies Ordinance. As the Scheme

EXPLANATORY STATEMENT

of Arrangement is conditional on the resolution being passed at the Court Meeting and a special resolution being passed at the Extraordinary General Meeting, the Scheme of Arrangement cannot proceed unless both conditions are satisfied. Upon the Scheme of Arrangement taking effect, the Company shall become wholly-owned by members of the Consortium and the Offeror and the listing of the Shares will be withdrawn from the Stock Exchange.

EFFECTS OF THE SCHEME OF ARRANGEMENT

Ownership structure

The table below sets out the ownership structure of the Company as at the Latest Practicable Date and immediately upon completion of the Proposal:

Owners	As at the Latest Practicable Date		Upon completion of the Proposal	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Members of the Consortium	1,019,947,189	95.9206	1,019,947,189	95.9206
Minority Shareholders	43,377,099*	4.0794	–	–
The Offeror	–	–	43,377,099	4.0794
Total issued share capital	<u>1,063,324,288</u>	<u>100.0000</u>	<u>1,063,324,288</u>	<u>100.0000</u>

* The 43,377,099 Shares held by the Minority Shareholders forming part of the Scheme Shares include the Jointly Owned Shares, an aggregate of 400,000 Shares held by the Lau Concert Parties, the 61,750 Shares beneficially owned by Mr. Chan Man Chit and registered in his name except 2,000 Shares of which are held in the name of HKSCC Nominees Limited and an aggregate of 872,000 Shares held by certain Directors, namely Mr. David Park, Mr. Gan Khian Seng, Mr. Yong Foo San and Ms. Lim Mooi Ying, Marianne.

As at the Latest Practicable Date, the Company did not have any outstanding options (including any Options), warrants, derivatives or convertible securities.

Material interests of Directors and effects of the Scheme of Arrangement on such interests

As at the Latest Practicable Date, Mr. David Park, Mr. Gan Khian Seng, Mr. Yong Foo San and Ms. Lim Mooi Ying, Marianne, each an executive Director, held 200,000 Shares, 200,000 Shares, 200,000 Shares and 272,000 Shares, respectively. These Shares will form part of the Scheme Shares and will be entitled to be voted at the Court Meeting. Except for these interests, none of the Directors, whether as directors or shareholders or creditors of the Company or otherwise, has any material interest in the Scheme of Arrangement. Further details of interests of Directors in the securities of or in any arrangements with the Company are respectively described in Sections 3 and 6 in Appendix VII to this document. Accordingly, the Scheme of Arrangement does not have any effect on the interests of any of the Directors which are materially different from the effect on like interests of the other Minority Shareholders.

EXPLANATORY STATEMENT

REASONS FOR THE PROPOSAL

The trading liquidity of the Shares on the Stock Exchange in recent years has been generally thin. The average daily trading volume of the Shares over the twelve-month period prior to the Preliminary Announcement was approximately 2,684 Shares, representing approximately 0.0003% of the issued share capital of the Company as at the Latest Practicable Date.

In addition, as announced by the Company on 1 June 2007 and 29 November 2007, there has been a high concentration of shareholding in the Company in the hands of a limited number of Shareholders. Since 5 November 2007, trading in the Shares on the Stock Exchange has been suspended. The Company has recently received information which indicates that the public float of the Shares is less than 25% as required under Rule 8.08 of the Listing Rules. The ultimate beneficial owners of Amerdale Investments and Victon Investment, being respectively Mr. Lau Gek Poh and Mr. Yaw Teck Seng, notified the Company that they had held interests in these Shares, which represented 62.3652% and 25.7911%, respectively, of the issued Shares as at the Latest Practicable Date. Together, their interests in the Company represent approximately 88.1563% of the issued Shares.

Given the low liquidity of the Shares traded on the Stock Exchange, the insufficient public float and high concentration of shareholding, the directors of the Offeror and the Company believe that there is currently limited opportunity for the Minority Shareholders to divest their investments in the Company.

Further, since the members of the Consortium were interested in an aggregate of approximately 95.9206% of the issued Shares as at the Latest Practicable Date, the directors of the Offeror and the Company believe that it is unlikely that the Minority Shareholders will receive any other general offer from a third party to acquire their Shares, as any such offer will not succeed without the approval of the members of the Consortium. Shareholders should also note that no discussion has taken place or is taking place with any third party regarding the disposal of any of the Shares held by the members of the Consortium.

INFORMATION ON THE COMPANY

The Company is a company incorporated in Hong Kong with limited liability. The Shares were originally listed on the predecessor to the Stock Exchange on 6 March 1973 and were relisted on the Stock Exchange on 1 September 1988. The Group is principally engaged in the trading of motor vehicles, heavy equipment, spare parts and the provision of after-sales and product support services, property development and investment, general trading and financial services.

EXPLANATORY STATEMENT

A summary of the audited consolidated results of the Company for each of the two financial years ended 31 December 2005 and 2006 is set out below:

	For the year ended 31 December 2005 HK\$ '000 (Restated)	For the year ended 31 December 2006 HK\$ '000	Increase compared to previous year %
Turnover	13,298,776	17,692,282	33.04
Profit before taxation	507,827	667,985	31.54
Profit after taxation	313,009	381,265	21.81
Profit attributable to Shareholders	285,879	315,215	10.26
Dividends	31,816	31,818	0.01
Basic earnings per Share (<i>HK cents</i>)	27.0	29.7	10.00

The audited consolidated net assets attributable to the Shareholders were approximately HK\$5,333 million as at 31 December 2005 and approximately HK\$5,771 million as at 31 December 2006.

As at the Latest Practicable Date, the Company did not have any outstanding options (including any Options), warrants, derivatives or convertible securities.

The attention of the Minority Shareholders is drawn to Appendix I to this document which sets out the financial information relating to the Group.

Based on the closing price of HK\$8.99 per Share as at the Last Trading Date, being the last full trading day prior to the suspension of trading in the Shares at 9:37 a.m. on 5 November 2007 which suspension has continued up to the date of this document and the total number of the Shares in issue of 1,063,324,288 as at the Latest Practicable Date, the market capitalisation of the Company was approximately HK\$9,559 million.

INFORMATION ON THE OFFEROR

The Offeror is a company incorporated in the British Virgin Islands with limited liability on 6 November 2007. The Offeror is formed for the purpose of effecting the Proposal. At present, the Offeror has no trading activities and does not hold or beneficially own any Shares or other securities in the Company.

EXPLANATORY STATEMENT

The Offeror is wholly-owned by Amerdale Investments, and the directors of the Offeror consist of Ms. Sim Siew Meng, Mr. Heng Chin Tung and Mr. Ito Taikichi. Conditional upon the Proposal becoming effective, all members of the Consortium will subscribe for the shares in the Offeror, in numbers representing the proportions that the Shares in which by each of the members of the Consortium is respectively interested bear to the total number of the Shares in which all the members of the Consortium are interested and at the same subscription price on a per share basis. Further details regarding such proportions are set out in the following section headed “Information on the Consortium”.

INFORMATION ON THE CONSORTIUM

The Consortium consists of 35 members, who together presently hold an aggregate of 1,019,947,189 Shares, representing approximately 95.9206% of the issued share capital of the Company. Those Shares will not form part of the Scheme Shares and, accordingly, the members of the Consortium and the parties presumed to be acting in concert with them under the Takeovers Code will not be entitled to attend and vote at the Court Meeting. Notwithstanding that Wellmix Enterprise Limited as a co-owner is a member of the Consortium, the Jointly Owned Shares will form part of the Scheme Shares although Wellmix Enterprise Limited as their holder will not under the Takeovers Code be entitled to attend and vote at the Court Meeting.

The Consortium consists of (i) Amerdale Investments and investment companies that are its Associates, all of which hold an aggregate of 663,143,816 Shares representing approximately 62.3652% of the issued Shares; (ii) Victon Investment, together with an investment company that is its Associate and a company holding Shares on behalf of Mr. Yaw Teck Seng, who is a beneficial owner of and controls Victon Investment and is the beneficial owner of its Associate, together hold an aggregate of 274,242,987 Shares representing approximately 25.7911% of the issued Shares; (iii) individuals who are relatives of Mr. Lau Gek Poh and companies owned and controlled by such individuals, all of whom hold an aggregate of 74,659,386 Shares representing approximately 7.0213% of the issued Shares; and (iv) a long time Shareholder who holds 7,901,000 Shares representing approximately 0.7430% of the issued Shares. Mr. Lau Gek Poh is the controlling shareholder (as defined in the Listing Rules) of the Company and the beneficial owner of Amerdale Investments and its Associates referred to in (i) above.

EXPLANATORY STATEMENT

The table below and the notes thereto set out information on the members of the Consortium, the number of Shares respectively held by such members, the beneficial owners and registered holders of such Shares as well as the respective percentages of the shareholdings of members of the Consortium in the Company as at the date of this document and in the Offeror upon the Proposal becoming effective:

Name of member <i>(Notes 2-7)</i>	Number of Shares in the Company as at the date of this document	Percentage ownership in the Company as at the date of this document <i>(Note 8)</i>	Percentage ownership in the Offeror upon the Proposal becoming effective <i>(Notes 1, 8)</i>
1. Amerdale Investments	205,271,883	19.3047%	20.1257%
2. Global Range Investments Limited	45,414,000	4.2709%	4.4526%
3. Ondori Enterprises Limited	45,053,000	4.2370%	4.4172%
4. Unicorn International Holdings Limited	44,827,000	4.2157%	4.3950%
5. Bolker Investments Limited	46,861,199	4.4070%	4.5945%
6. Manningvale Limited	4,993,500	0.4696%	0.4896%
7. Elmsgate Limited	9,600,000	0.9028%	0.9412%
8. Long-Term Market Limited	32,328,977	3.0404%	3.1697%
9. Diwat Investments Ltd.	44,827,000	4.2157%	4.3950%
10. Ansoon Limited	44,826,000	4.2156%	4.3949%
11. Grand Haywood Limited	49,134,259	4.6208%	4.8173%
12. Weeluk Trading Limited	45,180,998	4.2490%	4.4297%
13. Onwick Profits Limited	44,826,000	4.2156%	4.3949%
14. Victon Investment	235,282,761	22.1271%	23.0681%
15. Yetime Nominees Limited	6,631,249	0.6236%	0.6502%
16. Starway Nominee Inc.	32,328,977	3.0404%	3.1697%
17. Ito Taikichi	7,901,000	0.7430%	0.7746%
18. Cheer Union Enterprise Limited	12,000,000	1.1285%	1.1765%
19. Futron Limited	5,000,000	0.4702%	0.4902%
20. Lei Sheng Company Limited	2,476,964	0.2329%	0.2429%
21. Wellmix Enterprise Limited	2,003,322	0.1884%	0.1964%
22. Wellmaxi Investment Limited	13,365	0.0013%	0.0013%
23. Tan Linar	30,000	0.0028%	0.0029%
24. Lau Kwok Yeaw	14,000	0.0013%	0.0014%
25. Lau Shu Ya Karin	8,000	0.0008%	0.0008%
26. Pacific City Investments Ltd.	26,914,289	2.5311%	2.6388%
27. Beauty Year Limited	13,102,291	1.2322%	1.2846%
28. SCF Investment Limited	10,324,598	0.9710%	1.0123%

EXPLANATORY STATEMENT

Name of member <i>(Notes 2-7)</i>	Number of Shares in the Company as at the date of this document	Percentage ownership in the Company as at the date of this document <i>(Note 8)</i>	Percentage ownership in the Offeror upon the Proposal becoming effective <i>(Notes 1, 8)</i>
29. Lau Chor Lok	230,249	0.0217%	0.0226%
30. Hui Man Sheung	1,812	0.0002%	0.0002%
31. Lau Shun Fong	718,000	0.0675%	0.0704%
32. Lau Yu Hing	613,996	0.0577%	0.0602%
33. Lau Shun King, Susanna	723,000	0.0680%	0.0709%
34. Lau Shun Wah	425,500	0.0400%	0.0417%
35. Lau Soong Cheng	60,000	0.0056%	0.0059%
Total	1,019,947,189	95.9206%	100.0000%

Notes:

- (1) Assuming no new Shares will be issued prior to the Record Time.
- (2) All members are the registered holders of the Shares in which they are respectively interested as set out in the table, save for the members numbered 14 and 17. The Shares in which the member numbered 14 is interested have been charged and mortgaged by Victon Investment, respectively, as to 156,855,174 Shares, representing approximately 14.7514% of the issued Shares, to Malayan Banking Berhad and are registered in the name of Mayban Nominees (Hong Kong) Limited, and as to 78,427,587 Shares, representing approximately 7.3757% of the issued Shares, to Bangkok Bank Public Company Limited and are registered in the name of HKSCC Nominees Limited. The Shares in which the member numbered 17 is interested have been mortgaged by such member, Mr. Ito Taikichi, to Bangkok Bank Public Company Limited and are registered in the name of HKSCC Nominees Limited.
- (3) The member numbered 1 is beneficially owned by Mr. Lau Gek Poh. The members numbered 2-13, holding in the aggregate 457,871,933 Shares, representing 43.0604% of the issued Shares, hold their Shares on behalf of Mr. Lau Gek Poh. Mr. Lau Gek Poh is therefore beneficially interested in an aggregate of 663,143,816 Shares, representing 62.3652% of the issued Shares.
- (4) The members numbered 14 and 16, holding in the aggregate 267,611,738 Shares representing 25.1675% of the issued Shares are respectively controlled and beneficially owned by Mr. Yaw Teck Seng. The member numbered 15 holds its Shares on behalf of Mr. Yaw Teck Seng. Mr. Yaw Teck Seng is therefore beneficially interested in an aggregate of 274,242,987 Shares representing 25.7911% of the issued Shares.
- (5) The member numbered 17, Mr. Ito Taikichi, is a director of the Offeror.
- (6) The members numbered 18-35, holding in the aggregate 74,659,386 Shares representing 7.0213% of the issued Shares, are either relatives of Mr. Lau Gek Poh or companies owned and controlled by such relatives, and are presumed to be parties acting in concert with Mr. Lau Gek Poh. All the members numbered 18-35 are the beneficial owners of the Shares in which they are respectively interested as set out in the table, save for the member numbered 22, which holds its Shares on behalf of Mr. Lau Yu Man, a relative of Mr. Lau Gek Poh, and the member numbered 27, which holds its Shares on behalf of Mr. Lau Chor Lok, who is the member numbered 29.
- (7) The member numbered 21 is also jointly interested in the Jointly Owned Shares with Mr. Chan Man Chit, in addition to the Shares set out next to its name in the above table in which it is solely interested. Mr. Chan Man Chit is not a member of the Consortium but as one of its directors is presumed to be a party acting in concert with such member and the Jointly Owned Shares will not be entitled to be represented or voted at the Court Meeting.
- (8) The individual percentage figures may not add up to the relevant total percentage figure due to rounding effects.

EXPLANATORY STATEMENT

The Consortium arrangements

The members of the Consortium have entered into a subscription agreement with the Offeror to subscribe for the shares in the Offeror, conditional upon the Proposal becoming effective. The number of the shares to be subscribed by each subscriber will represent the proportions that the Shares in which each of them is respectively interested bear to the total number of the Shares in which all of the members of the Consortium are interested, as described in the preceding section headed “Information on the Consortium”. The subscription price to be paid by each subscriber will be in all cases equal on a per share basis. The affairs of the Offeror and the rights and obligations of the Consortium members as shareholders of the Offeror shall be governed by the laws of the British Virgin Islands and the memorandum and articles of association of the Offeror. The members of the Consortium have not entered into, and do not intend to enter into, any shareholders’ agreement relating to their holdings of the shares in the Offeror.

TOTAL CANCELLATION CONSIDERATION AND CONFIRMATION OF FINANCIAL RESOURCES

The total Cancellation Consideration payable under the Scheme of Arrangement is approximately HK\$433.8 million. Payment of the Cancellation Consideration will be financed by funds in the amount of HK\$470 million (or such greater amount as may be necessitated by the Proposal) lent to the Offeror by Hayfield Enterprises Limited, a company indirectly owned by a discretionary trust set up by Mr. Lau Gek Poh for the benefit of his family members, including certain members of the Consortium. Hayfield Enterprises Limited is accordingly presumed to be a party acting in concert with members of the Consortium and with the Offeror. Hayfield Enterprises Limited did not hold any Shares or other securities of the Company as at the Latest Practicable Date. The funding provided by Hayfield Enterprises Limited is secured by a share mortgage given by the Offeror in respect of one Share to be issued to the Offeror under the Scheme of Arrangement, together with any dividend, interest or other rights accruing thereto. UBS AG, the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to implement fully the Proposal in accordance with its terms.

FUTURE INTENTIONS

It is the intention of the Offeror and members of the Consortium to continue the businesses of the Group after the privatisation of the Company. The Offeror and members of the Consortium do not have any intention to introduce any major changes to the existing operations and management of the Group, nor do they have any intention to make any change to the continued employment of the Group’s employees. However, the Offeror and members of the Consortium may from time to time review strategic options with regard to the businesses of the Group and the Group as a whole. These strategic options may include, but not be limited to, the restructuring or the rationalisation of one or more of the businesses.

EXPLANATORY STATEMENT

WITHDRAWAL OF LISTING OF THE SHARES, SHARE CERTIFICATES AND TRADING

Upon the Scheme of Arrangement becoming effective, all the Scheme Shares will be cancelled and all certificates representing the Scheme Shares will cease to have effect as documents or evidence of title as from the Effective Date, which is expected to be 12 March 2008.

The Company will apply to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange in accordance with Rule 6.15 of the Listing Rules immediately on the Effective Date. The listing of the Shares on the Stock Exchange is expected to be withdrawn at 9:30 a.m. on 17 March 2008. The Minority Shareholders will be notified by way of a press announcement of the exact date on which the Scheme of Arrangement and the withdrawal of the listing of the Shares on the Stock Exchange will become effective.

Dealings in the Shares on the Stock Exchange have been suspended since 9:37 a.m. on 5 November 2007 at the request of the Company, pending the release of its follow-up announcement dated 29 November 2007 in relation to its high concentration of shareholding. As indicated in such announcement and further explained in the section above headed “Reasons for the Proposal”, the Company has received information that indicates the number of the Shares in the hands of the public has fallen below the prescribed minimum public float of 25% of its Shares as required under Rule 8.08 of the Listing Rules. In the circumstances, trading in the Shares is expected to remain suspended until the withdrawal of the listing of the Shares on the Stock Exchange.

In the event that the Scheme of Arrangement is not implemented, it is intended that the listing of the Shares on the Stock Exchange will be maintained, subject to the Company restoring its public float.

REGISTRATION AND PAYMENT OF CANCELLATION CONSIDERATION

It is proposed to close the register of members of the Company from 21 February 2008 to 25 February 2008 (both dates inclusive) or during such other period as may be notified to the Shareholders by press announcement, in order to establish entitlements of the Minority Shareholders to attend and vote at the Court Meeting and of the Shareholders to attend and vote at the Extraordinary General Meeting. For this purpose, all transferees of the Shares should ensure that their Shares are registered or lodged for registration in their names or in the names of their nominees with Tricor Tengis Limited, the share registrar of the Company, at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, by 4:00 p.m. on 20 February 2008, being the day immediately prior to the date of the closure of the register of members of the Company.

Upon the Scheme of Arrangement becoming effective, payments for the Cancellation Consideration will be made to the holders of the Scheme Shares whose names appear on the register of members of the Company at the Record Time. On the basis that the Scheme of Arrangement becomes effective on or before 12 March 2008, cheques for payment of the Cancellation Consideration under the Scheme of Arrangement are expected to be despatched on or before 20 March 2008. Cheques will be sent to the persons entitled thereto at their

EXPLANATORY STATEMENT

respective registered addresses or, in the case of joint holders, to the registered address of that joint holder whose name stands first in the register of members of the Company in respect of the joint holding. All such cheques will be sent at the risk of the persons entitled thereto and none of the Company, the Offeror and any of their officers or agents will be responsible for any loss or delay in despatch.

On or after the day falling six calendar months after the posting of such cheques, the Offeror shall have the right to cancel or cause the cancellation of any such cheque which has not been cashed or has been returned uncashed, and shall place all monies represented thereby in a deposit account in the Company's name with a licensed bank in Hong Kong selected by the Company.

The Company shall hold such monies until the expiry of six years from the Effective Date and shall, prior to such date, make payments therefrom of the sums, together with interest thereon, to persons who satisfy the Company that they are respectively entitled thereto and that the cheques of which they are payees have not been cashed. On the expiry of six years from the Effective Date, the Offeror shall be released from any further obligation to make any payments under the Scheme of Arrangement and the Company shall thereafter transfer to the Offeror the balance (if any) of the sums then standing to the credit of the deposit account in its name, including accrued interest subject, if applicable, to the deduction of any interest or withholding or any other tax or any other deduction required by law, and subject to the deduction of any expenses incurred in effecting the transfer.

Settlement of the Cancellation Consideration to which any holder of the Scheme Shares is entitled will be implemented in full in accordance with the terms of the Scheme of Arrangement without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such holder of Scheme Shares.

OVERSEAS SHAREHOLDERS

Payments of the Cancellation Consideration to those Minority Shareholders who are not resident in Hong Kong may be subject to the laws of the relevant jurisdictions where such Minority Shareholders are located. All overseas Minority Shareholders should observe any applicable legal and regulatory requirements of their own jurisdictions. It is the responsibility of any such Minority Shareholders wishing to accept the Cancellation Consideration 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 exchange control or other consents which may be required, or the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdiction.

TAXATION

As the Scheme of Arrangement does not involve the sale and purchase of Hong Kong stock, no stamp duty will be payable pursuant to the Stamp Duty Ordinance, Chapter 117 of the Laws of Hong Kong, on the cancellation of the Scheme Shares upon the Scheme of Arrangement becoming effective.

EXPLANATORY STATEMENT

The Minority Shareholders, whether in Hong Kong or in other jurisdictions, are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of the Scheme of Arrangement and in particular, whether the receipt of the Cancellation Consideration would make such Minority Shareholder liable to taxation in Hong Kong or in other jurisdictions.

It is emphasised that none of the Company, the Offeror, Quam Capital, UBS AG and any of their respective officers or any other person involved in the Proposal accepts responsibility for any tax or other effects on, or liabilities of, any person or persons as a result of the implementation or otherwise of the Proposal.

COURT MEETING AND EXTRAORDINARY GENERAL MEETING

The High Court has directed that the Court Meeting be convened and held for the purpose of considering and, if thought fit, approving the Scheme of Arrangement (with or without modification). Only those Minority Shareholders who are not the holder of either the Jointly Owned Shares or the Shares beneficially owned by Mr. Chan Man Chit or the Lau Concert Parties or other parties acting in concert with the Offeror or members of the Consortium will be entitled to attend and vote at the Court Meeting.

The Minority Shareholders include Mr. David Park, Mr. Gan Khian Seng, Mr. Yong Foo San and Ms. Lim Mooi Ying, Marianne, all being executive Directors, who held 200,000 Shares, 200,000 Shares, 200,000 Shares and 272,000 Shares, respectively, as at the Latest Practicable Date. Each of these Directors has indicated that he or she intends to vote his or her Shares in favour of the resolution for the approval of the Scheme of Arrangement.

Following the conclusion of the Court Meeting, the Extraordinary General Meeting will be held for the purpose of considering and, if thought fit, passing a special resolution to approve and implement the Scheme of Arrangement and the reduction of the authorised and issued share capital of the Company involved in the Scheme of Arrangement. The Extraordinary General Meeting will be convened and held in accordance with the articles of association of the Company. All Shareholders will be entitled to attend and vote at the Extraordinary General Meeting. If the Scheme of Arrangement is approved at the Court Meeting, the members of the Consortium and parties acting in concert with them or the Offeror have indicated that their respective Shares will be voted in favour of the special resolution to be proposed at the Extraordinary General Meeting.

Notice of the Court Meeting is set out on pages 349 to 351 of this document. The Court Meeting will be held on 25 February 2008 at the time and place specified in the notice of the Court Meeting.

Notice of the Extraordinary General Meeting is set out on pages 352 to 353 of this document. The Extraordinary General Meeting will be held at the same place and date at 11:00 a.m. or immediately after the Court Meeting.

EXPLANATORY STATEMENT

Pursuant to the articles of association of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is demanded before or on the declaration of the result of the show of hands. A poll may be demanded by:

- (1) the chairman of the meeting; or
- (2) at least three Shareholders present in person (or in the case of a corporation, by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or
- (3) any Shareholder or Shareholders present in person (or in the case of a corporation, by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or
- (4) a Shareholder or Shareholders present in person (or in the case of a corporation, by its duly authorised representative) or by proxy and holding Shares conferring a right to vote at the meeting on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all Shares conferring that right.

For the avoidance of doubt, the articles of association of the Company relating to general meetings do not apply to the Court Meeting, which must be convened and held in accordance with the directions of the High Court.

ACTIONS TO BE TAKEN

A pink form of proxy for use at the Court Meeting and a white form of proxy for use at the Extraordinary General Meeting are enclosed with this document.

Whether or not you are able to attend the Court Meeting or the Extraordinary General Meeting, you are strongly urged to complete and sign the enclosed forms of proxy in accordance with the instructions respectively printed thereon and to lodge them, together with the power of attorney or other authority (if any) under which they are signed or a notarially certified copy of that power or authority, as soon as possible and in any event not less than 48 hours before the appointed times for the meetings at the registered office of the Company at 8th Floor, New World Tower I, 18 Queen's Road Central, Hong Kong. If the pink form of proxy is not so lodged, it may be handed to the chairman of the Court Meeting at the Court Meeting. In order to be valid, the white form of proxy for use at the Extraordinary General Meeting must be lodged not less than 48 hours before the time appointed for that meeting. The completion and return of the form of proxy for the Court Meeting or for the Extraordinary General Meeting will not preclude you from attending and voting in person at the relevant meeting. In such event, your relevant form of proxy will be deemed to have been revoked.

EXPLANATORY STATEMENT

An announcement will be made by the Company in relation to the results of the Court Meeting and the Extraordinary General Meeting. In addition, an announcement will be made on the results of the hearing of the petition to sanction the Scheme of Arrangement by the High Court and, if the Scheme of Arrangement is sanctioned, the last date of trading in the Shares on the Stock Exchange, the Record Time, the Effective Date and the date of withdrawal of the listing of the Shares on the Stock Exchange.

For the purpose of determining the entitlements of the Shareholders to attend and vote at the Court Meeting and the Extraordinary General Meeting, the register of members of the Company will be closed from 21 February 2008 to 25 February 2008 (both days inclusive) and during such period, no transfer of the Shares will be effected. In order to qualify to vote at the Court Meeting and the Extraordinary General Meeting, all instruments of transfers accompanied by the relevant share certificates must be lodged with Tricor Tengis Limited, the share registrar of the Company, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 20 February 2008.

FURTHER INFORMATION

Further information in relation to the Proposal is set out in the Appendices to this document, all of which form part of this Explanatory Statement.

1. FINANCIAL SUMMARY

Set out below is a summary of the audited consolidated results of the Group for each of the three financial years ended 31 December 2006 extracted from the 2004, 2005 and 2006 annual reports of the Company and unaudited consolidated results of the Group for the six months ended 30 June 2007 extracted from the 2007 interim report of the Company, except that definitions used in this document have been adopted in the below extract.

Summary Consolidated Income Statement

		Six months ended 30 June 2007	Year ended 31 December		
	Note	HK\$'000	2006 HK\$'000	2005 HK\$'000 (Restated)	2004 HK\$'000 (Restated)
Revenue		11,958,417	17,692,282	13,298,776	8,633,816
Profit before tax		629,544	667,985	507,827	306,527
Tax		(153,917)	(286,720)	(194,818)	(50,272)
Profit for the year/period		<u>475,627</u>	<u>381,265</u>	<u>313,009</u>	<u>256,255</u>
Attributable to:					
Equity holders of the parent		425,038	315,215	285,879	260,367
Minority interests		<u>50,589</u>	<u>66,050</u>	<u>27,130</u>	<u>(4,112)</u>
		<u>475,627</u>	<u>381,265</u>	<u>313,009</u>	<u>256,255</u>
Earnings per Share attributable to ordinary equity holders of the parent					
– Basic	2	<u>HK40.1 cents</u>	<u>HK29.7 cents</u>	<u>HK27.0 cents</u>	<u>HK26.0 cents</u>
– Diluted	2	<u>HK40.1 cents</u>	<u>HK29.6 cents</u>	<u>HK26.8 cents</u>	<u>HK25.4 cents</u>
Dividend		<u>Nil</u>	<u>31,818</u>	<u>31,816</u>	<u>31,816</u>
Dividend per Share		<u>Nil</u>	<u>HK3.0 cents</u>	<u>HK3.0 cents</u>	<u>HK3.0 cents</u>

Notes:

- (1) 2004 and 2005 figures have been restated to reflect the change in accounting policy as a result of the adoption of the revised Hong Kong Accounting Standard 27.

- (2) Earnings per Share attributable to ordinary equity holders of the parent

The calculations of basic and diluted earnings per Share are based on:

	Six months ended 30 June 2007 HK\$ '000	Year ended 31 December 2006 HK\$ '000	2005 HK\$ '000 (Restated)	2004 HK\$ '000 (Restated)
Earnings				
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per Share calculations	<u>425,038</u>	<u>315,215</u>	<u>285,879</u>	<u>260,367</u>
Number of Shares				
	Six months ended 30 June 2007	Year ended 31 December 2006	2005	2004
Shares				
Weighted average number of Shares in issue during the year/period used in basic and diluted earnings per Share calculations	1,060,588,288	1,060,559,323	1,057,596,486	1,000,720,460
Effect of dilution – Weighted average number of Shares:				
Warrants	<u>–</u>	<u>5,512,496</u>	<u>7,259,401</u>	<u>24,433,536</u>
	<u>1,060,588,288</u>	<u>1,066,071,819</u>	<u>1,064,855,887</u>	<u>1,025,153,996</u>

As the subscription prices of the share options outstanding during the three years ended 31 December 2004, 2005 and 2006 and the six months ended 30 June 2007 were higher than the respective average market prices of the Shares during these years/period, there was no dilutive effect on the basic earnings per Share.

- (3) The auditors' reports issued by Ernst and Young for each of the three financial years ended 31 December 2004, 2005 and 2006 were not qualified.
- (4) There were no extraordinary or exceptional items in the consolidated financial statements for any of the past three financial years.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2006

The following information has been extracted from the audited consolidated financial statements of the Group for the year ended 31 December 2006, except that the definitions used in this document have been adopted in the below extract.

Consolidated Income Statement

Year ended 31 December 2006

	<i>Notes</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i> (Restated)
REVENUE	4	17,692,282	13,298,776
Cost of sales and services		<u>(15,799,786)</u>	<u>(11,717,865)</u>
Gross profit		1,892,496	1,580,911
Other income and gains	4	164,743	75,865
Selling and distribution costs		(280,747)	(170,522)
Administrative expenses		(773,441)	(620,179)
Other operating expenses		<u>(205,525)</u>	<u>(261,425)</u>
PROFIT FROM OPERATING ACTIVITIES		797,526	604,650
Finance costs	6	(195,063)	(151,772)
Share of profits and losses of associates		<u>65,522</u>	<u>54,949</u>
PROFIT BEFORE TAX	5	667,985	507,827
Tax	9	<u>(286,720)</u>	<u>(194,818)</u>
PROFIT FOR THE YEAR		<u>381,265</u>	<u>313,009</u>
Attributable to:			
Equity holders of the parent	10	315,215	285,879
Minority interests		<u>66,050</u>	<u>27,130</u>
		<u>381,265</u>	<u>313,009</u>
DIVIDEND	11	<u>31,818</u>	<u>31,816</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
– Basic		<u>HK29.7 cents</u>	<u>HK27.0 cents</u>
– Diluted		<u>HK29.6 cents</u>	<u>HK26.8 cents</u>

Consolidated Balance Sheet*31 December 2006*

	<i>Notes</i>	2006 <i>HK\$ '000</i>	2005 <i>HK\$ '000</i> (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	<i>13</i>	1,683,104	1,382,267
Investment properties	<i>14</i>	654,354	427,110
Prepaid land premiums	<i>15</i>	237,937	235,761
Properties under development	<i>16</i>	1,219,666	809,680
Goodwill	<i>17</i>	702,654	676,466
Other intangible asset	<i>18</i>	1,650	1,650
Interests in associates	<i>20</i>	1,981,043	1,725,853
Available-for-sale investments	<i>21</i>	9,921	11,689
Deferred tax assets	<i>36</i>	30,213	21,119
Net investments in finance leases	<i>22</i>	23,512	37,888
Loans and receivables	<i>23</i>	315,119	98,380
Total non-current assets		6,859,173	5,427,863
CURRENT ASSETS			
Inventories	<i>24</i>	2,786,488	2,213,970
Properties held for sale	<i>25</i>	840,215	1,217,145
Trade receivables	<i>26</i>	855,759	609,477
Bills receivable with full recourse	<i>27</i>	26,545	183,857
Net investments in finance leases	<i>22</i>	15,649	82,864
Loans and receivables	<i>23</i>	132,394	336,383
Prepaid land premiums	<i>15</i>	6,569	5,127
Prepayments, deposits and sundry receivables	<i>28</i>	1,053,935	951,781
Equity investments at fair value through profit or loss	<i>29</i>	28,207	126,370
Pledged time deposits	<i>30</i>	28,897	23,883
Cash and cash equivalents	<i>30</i>	1,383,276	1,300,385
Total current assets		7,157,934	7,051,242
CURRENT LIABILITIES			
Trade and bills payables	<i>31</i>	1,892,576	1,483,722
Sundry payables and accruals	<i>32</i>	1,865,182	1,767,613
Derivative financial instruments	<i>33</i>	1,603	16,047
Interest-bearing bank borrowings and other non interest-bearing borrowing	<i>34</i>	2,229,835	1,933,752
Bills discounted with full recourse	<i>27</i>	26,545	183,857
Tax payable		248,374	224,639
Provisions	<i>35</i>	46,458	45,411
Total current liabilities		6,310,573	5,655,041

APPENDIX I
FINANCIAL INFORMATION RELATING TO THE GROUP

	<i>Notes</i>	2006 <i>HK\$ '000</i>	2005 <i>HK\$ '000</i> (Restated)
NET CURRENT ASSETS		<u>847,361</u>	<u>1,396,201</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>7,706,534</u>	<u>6,824,064</u>
NON-CURRENT LIABILITIES			
Derivative financial instruments	33	41,575	15,177
Interest-bearing bank borrowings	34	1,371,073	963,268
Deferred tax liabilities	36	<u>209,262</u>	<u>196,657</u>
Total non-current liabilities		<u>1,621,910</u>	<u>1,175,102</u>
Net assets		<u><u>6,084,624</u></u>	<u><u>5,648,962</u></u>
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	37	1,060,588	1,060,520
Reserves	39(a)	4,679,022	4,240,256
Proposed final dividend	11	<u>31,818</u>	<u>31,816</u>
		5,771,428	5,332,592
Minority interests		<u>313,196</u>	<u>316,370</u>
Total equity		<u><u>6,084,624</u></u>	<u><u>5,648,962</u></u>

Consolidated Statement of Changes in Equity

Year ended 31 December 2006

		Attributable to equity holders of the parent									
Notes	Issued capital	Share premium account	Land and building revaluation reserve	Warrant subscription reserve	Reserve funds	Exchange fluctuation reserve	Retained profits	Proposed final dividend	Total	Minority interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Restated) (note 39(a))	HK\$'000 (Restated)	HK\$'000 (Restated)	HK\$'000	HK\$'000 (Restated)	HK\$'000 (Restated)	HK\$'000 (Restated)
At 1 January 2005											
As previously reported	1,049,520	2,705,398	12,011	42,471	51,764	(5,792)	1,135,763	31,816	5,022,951	246,402	5,269,353
Prior year adjustments	2.2(b) <u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(582)</u>	<u>(1,780)</u>	<u>–</u>	<u>(2,362)</u>	<u>31,637</u>	<u>29,275</u>
As restated	1,049,520	2,705,398	12,011	42,471	51,764	(6,374)	1,133,983	31,816	5,020,589	278,039	5,298,628
Share of reserves of an associate	–	–	–	–	1,130	–	–	–	1,130	–	1,130
Share of reserves of subsidiaries	–	–	–	–	–	–	–	–	–	1,329	1,329
Exchange adjustments	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>23,810</u>	<u>–</u>	<u>–</u>	<u>23,810</u>	<u>(4,484)</u>	<u>19,326</u>
Total income and expense for the year recognised directly in equity	–	–	–	–	1,130	23,810	–	–	24,940	(3,155)	21,785
Profit for the year (as restated)	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>285,879</u>	<u>–</u>	<u>285,879</u>	<u>27,130</u>	<u>313,009</u>
Total income and expense for the year	–	–	–	–	1,130	23,810	285,879	–	310,819	23,975	334,794
Additions to minority interests in investments in subsidiaries	–	–	–	–	–	–	–	–	–	31,551	31,551
Acquisition of minority interests	40(a) <u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(14,638)</u>	<u>(14,638)</u>
Repayment to minority interests	–	–	–	–	–	–	–	–	–	(2,557)	(2,557)
2004 final dividend declared	–	–	–	–	–	–	–	(31,816)	(31,816)	–	(31,816)
Exercise of warrants	37 11,000	27,500	–	(5,500)	–	–	–	–	33,000	–	33,000
Proposed 2005 final dividend	11 <u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(31,816)</u>	<u>31,816</u>	<u>–</u>	<u>–</u>	<u>–</u>
Transfer from retained profits	39(a) <u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>9,373</u>	<u>–</u>	<u>(9,373)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
At 31 December 2005	<u>1,060,520</u>	<u>2,732,898*</u>	<u>12,011*/#</u>	<u>36,971*</u>	<u>62,267*</u>	<u>17,436*</u>	<u>1,378,673*</u>	<u>31,816</u>	<u>5,332,592</u>	<u>316,370</u>	<u>5,648,962</u>

Attributable to equity holders of the parent												
		Issued capital	Share premium account	Land and building revaluation reserve	Warrant subscription reserve	Reserve funds	Exchange fluctuation reserve	Retained profits	Proposed final dividend	Total	Minority interests	Total equity
Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Restated) (note 39(a))	HK\$'000 (Restated)	HK\$'000 (Restated)	HK\$'000	HK\$'000 (Restated)	HK\$'000 (Restated)	HK\$'000 (Restated)
At 1 January 2006												
As previously reported		1,060,520	2,732,898	12,011	36,971	61,274	14,085	1,347,115	31,816	5,296,690	265,289	5,561,979
Prior year adjustments	2.2(b)	–	–	–	–	993	3,351	31,558	–	35,902	51,081	86,983
As restated		1,060,520	2,732,898	12,011	36,971	62,267	17,436	1,378,673	31,816	5,332,592	316,370	5,648,962
Share of reserves of an associate		–	–	–	–	(267)	–	–	–	(267)	–	(267)
Exchange adjustments		–	–	–	–	–	155,499	–	–	155,499	19,317	174,816
Total income and expense for the year recognised directly in equity		–	–	–	–	(267)	155,499	–	–	155,232	19,317	174,549
Profit for the year		–	–	–	–	–	–	315,215	–	315,215	66,050	381,265
Total income and expense for the year		–	–	–	–	(267)	155,499	315,215	–	470,447	85,367	555,814
Additions to minority interests in investments in subsidiaries		–	–	–	–	–	–	–	–	–	9,884	9,884
Acquisition of minority interests	40(a)	–	–	–	–	–	–	–	–	–	(97,678)	(97,678)
Repayment to minority interests		–	–	–	–	–	–	–	–	–	(747)	(747)
2005 final dividend declared		–	–	–	–	–	–	–	(31,816)	(31,816)	–	(31,816)
Exercise of warrants	37	68	171	–	(34)	–	–	–	–	205	–	205
Expiry of warrants	37	–	–	–	(36,937)	–	–	36,937	–	–	–	–
Proposed 2006 final dividend	11	–	–	–	–	–	–	(31,818)	31,818	–	–	–
Transfer from retained profits	39(a)	–	–	–	–	30,178	–	(30,178)	–	–	–	–
At 31 December 2006		1,060,588	2,733,069*	12,011*/#	–*	92,178*	172,935*	1,668,829*	31,818	5,771,428	313,196	6,084,624

* These reserve accounts comprise the consolidated reserves of HK\$4,679,022,000 (2005 (restated): HK\$4,240,256,000) in the consolidated balance sheet.

The amount represents the land and building revaluation reserve of HK\$12,011,000 (2005: HK\$12,011,000), which was previously stated as the capital reserve, arising on the restatement to fair value of certain land and buildings at the date of acquisition of a further interest in an associate which became a subsidiary as a result of this acquisition taking place in the year ended 31 December 1998.

Consolidated Cash Flow Statement*Year ended 31 December 2006*

	<i>Notes</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i> (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		667,985	507,827
Adjustments for:			
Finance costs	6	195,063	151,772
Share of profits and losses of associates		(65,522)	(54,949)
Depreciation of property, plant and equipment	5	131,475	96,488
Depreciation of investment properties	5	9,693	4,970
Recognition of prepaid land premiums	5	6,472	4,289
Release of goodwill upon sales of developed properties	5	11,599	7,972
Write-down of inventories to net realisable value	5	34,115	20,258
Impairment of trade receivables	5	11,629	18,154
Impairment of a short term receivable	5	5,000	–
Provisions for product warranties and long service payments, net	35	17,761	21,726
Gain on disposal of items of property, plant and equipment	5	(596)	(128)
Dividend income from listed investments	5	(10,951)	(7,463)
Rental income, net	5	(31,057)	(15,661)
Interest income	5	(60,611)	(48,308)
		<u>922,055</u>	<u>706,947</u>
Decrease/(increase) in inventories		(593,139)	981,181
Decrease in properties held for sale		405,227	193,359
Decrease/(increase) in trade and bills receivables		(99,090)	76,029
Decrease/(increase) in net investments in finance leases		78,859	(125,007)
Increase in loans and receivables		(17,750)	(39,058)
Increase in prepayments, deposits and sundry receivables		(90,634)	(340,980)
Decrease in equity investments at fair value through profit or loss		98,163	22,333
Increase in trade and bills payables, and sundry payables and accruals		508,221	418,305
Decrease in provisions of product warranties and long service payments		<u>(19,452)</u>	<u>(15,009)</u>
Cash generated from operations		1,192,460	1,878,100
Dividends received from listed investments		10,951	7,463
Rental received		31,057	15,661
Interest received		24,735	18,857
Hong Kong profits tax paid		(6,945)	(17,460)
Overseas taxes paid		<u>(248,942)</u>	<u>(101,880)</u>
Net cash inflow from operating activities		<u>1,003,316</u>	<u>1,800,741</u>

	<i>Notes</i>	2006 <i>HK\$ '000</i>	2005 <i>HK\$ '000</i> (Restated)
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends from associates		41,161	–
Bank interest received	4	35,876	29,451
Investment in an associate		(4,724)	(227,962)
Repayment from/(to) associates		(157,891)	102,106
Purchases of items of property, plant and equipment	13	(684,719)	(529,528)
Purchases of investment properties	14	(19,881)	(274,485)
Additions to prepaid land premiums	15	(72,104)	(48,570)
Additions to properties under development	16	(390,245)	(606,903)
Proceeds from disposal of items of property, plant and equipment		117,653	40,743
Proceeds from disposal of prepaid land premiums		68,188	6,901
Purchases of additional interests in subsidiaries	40(a)	(135,349)	(17,549)
Purchases of additional interests in associates	40(b)	(6,751)	–
Disposal of a subsidiary	40(c)	(11,622)	–
Purchases of available-for-sale investments		–	(2,624)
Proceeds from disposal of an available-for-sale investment		1,893	–
Decrease/(increase) in pledged time deposits		(5,014)	173,524
Net cash outflow from investing activities		(1,223,529)	(1,354,896)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(195,063)	(151,772)
Dividend paid		(31,816)	(31,816)
Proceeds from exercise of warrants		205	33,000
Repayment of short term bank loans and other loan		(582,567)	(1,319,294)
Decrease in trust receipt loans		(534,965)	(130,410)
New short term bank loans and other loan		860,732	771,687
New long term bank loans		538,117	534,879
Additions to minority interests in investments in subsidiaries		9,884	31,551
Repayment to minority interests		(747)	(2,557)
Net cash inflow/(outflow) from financing activities		63,780	(264,732)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		(156,433)	181,113
Cash and cash equivalents at beginning of year		1,291,148	1,107,824
Effect of foreign exchange rate changes, net		11,284	2,211
CASH AND CASH EQUIVALENTS AT END OF YEAR		1,145,999	1,291,148
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	30	1,121,078	1,052,191
Non-pledged time deposits with original maturity of less than three months when acquired	30	262,198	248,194
Bank overdrafts	34	(237,277)	(9,237)
		1,145,999	1,291,148

Balance Sheet*31 December 2006*

	<i>Notes</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment	<i>13</i>	10,936	12,799
Investment properties	<i>14</i>	1,968	2,030
Interests in subsidiaries	<i>19</i>	5,200,024	4,657,815
Available-for-sale investments	<i>21</i>	<u>1,820</u>	<u>1,820</u>
Total non-current assets		<u>5,214,748</u>	<u>4,674,464</u>
CURRENT ASSETS			
Prepayments, deposits and sundry receivables	<i>28</i>	3,744	2,421
Cash and cash equivalents	<i>30</i>	<u>122,024</u>	<u>39,801</u>
Total current assets		<u>125,768</u>	<u>42,222</u>
CURRENT LIABILITIES			
Sundry payables and accruals	<i>32</i>	7,233	1,158
Interest-bearing bank borrowings and other non interest-bearing borrowing	<i>34</i>	176,931	27,143
Tax payable		<u>776</u>	<u>1,604</u>
Total current liabilities		<u>184,940</u>	<u>29,905</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>(59,172)</u>	<u>12,317</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		5,155,576	4,686,781
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	<i>34</i>	<u>735,068</u>	<u>234,592</u>
Net assets		<u><u>4,420,508</u></u>	<u><u>4,452,189</u></u>
EQUITY			
Issued capital	<i>37</i>	1,060,588	1,060,520
Reserves	<i>39(b)</i>	3,328,102	3,359,853
Proposed final dividend	<i>11</i>	<u>31,818</u>	<u>31,816</u>
Total equity		<u><u>4,420,508</u></u>	<u><u>4,452,189</u></u>

Notes to Financial Statements*31 December 2006***1. CORPORATE INFORMATION**

Lei Shing Hong Limited is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at 8th Floor, New World Tower I, 18 Queen's Road Central, Hong Kong.

During the year, the Group was involved in the following principal activities:

- trading of motor vehicles and spare parts and provision of after-sales services
- trading of heavy equipment and provision of product support services
- property development and investment
- general trading
- securities broking and trading
- money lending

2.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain investment properties which have been measured at the carrying amount as at 1 January 2005 as their deemed cost and available-for-sale financial assets and equity investments at fair value through profit or loss, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2006. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. Acquisitions of minority interests are accounted for using the parent entity extension method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 27 Amendment	Consolidated and Separate Financial Statements: Amendments as a consequence of the Companies (Amendment) Ordinance 2005
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKAS 39 Amendment	The Fair Value Option
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

The principal changes in accounting policies are as follows:

(a) HKAS 21 The Effects of Changes in Foreign Exchange Rates

Upon the adoption of the HKAS 21 Amendment regarding a net investment in a foreign operation, all exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised in a separate component of equity in the consolidated financial statements irrespective of the currency in which the monetary item is denominated. This change has had no material impact on these financial statements as at 31 December 2006 or 31 December 2005.

(b) HKAS 27 Consolidated and Separate Financial Statements

The adoption of the revised HKAS 27 has resulted in a change in accounting policy relating to the definition of a subsidiary for the purpose of the consolidated financial statements as described in note 2.4 "Summary of significant accounting policies" below.

In prior years, the Group had equity investments in companies registered in the PRC (the "PRC companies"), where control was the power to govern the financial and operating policies of the PRC companies so as to obtain benefits from the PRC companies' activities, where HKAS 27 defines the PRC companies as subsidiaries. However, entities could only be regarded as the Company's subsidiaries when they also met the definition of subsidiaries under the then Hong Kong Companies Ordinance which defined an entity to be a subsidiary of another company if that company controls more than half of an entity's voting power, controls the board of directors of the entity or holds more than half of the entity's issued share capital. The Group's equity investments in the PRC companies had therefore been recorded as available-for-sale investments, which were stated at cost less any impairment losses.

Upon the adoption of the Companies (Amendment) Ordinance 2005, the PRC companies meet the definition of subsidiaries under both HKAS 27 and the Companies (Amendment) Ordinance 2005 and consolidation of the PRC companies is required. In accordance with the revised HKAS 27, comparative amounts have been restated. The effects of the above change are summarised below.

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
<i>Consolidated income statement for the year ended</i>		
<i>31 December</i>		
Increase in revenue	8,701,525	1,224,271
Increase in cost of sales and services	(8,010,568)	(922,950)
Decrease in other income and gains	(105,933)	(65,359)
Increase in selling and distribution costs	(78,891)	(34,334)
Increase in administrative expenses	(119,859)	(67,909)
Increase in other operating expenses	(44,104)	(37,772)
Increase in finance costs	(9,387)	(3,605)
Increase/(decrease) in share of profits and losses of associates	30,918	(895)
Increase in tax	(93,715)	(42,711)
	<u>269,986</u>	<u>48,736</u>
	<u>HK25.46</u>	<u>HK4.61 cents</u>
Increase in basic earnings per share	cents	cents
	<u>HK25.33</u>	<u>HK4.58 cents</u>
Increase in diluted earnings per share	cents	cents
<i>Consolidated balance sheet and equity at 1 January</i>		
Increase in property, plant and equipment	82,103	17,459
Decrease in investment properties	(35,831)	–
Increase in properties under development	146,952	114,918
Increase in interests in associates	1,747	2,594
Decrease in available-for-sale investments	(248,826)	(202,128)
Increase in inventories	1,130,533	50,453
Decrease in trade receivables	(1,198,288)	(74,844)
Decrease in loans and receivables	(85,511)	–
Increase in prepayments, deposits and sundry receivables	187,356	52,751
Increase in cash and cash equivalents	350,287	164,979
	<u>330,522</u>	<u>126,182</u>
	<u>330,522</u>	<u>126,182</u>
Increase in trade and bills payables	23,659	25,714
Increase in sundry payables and accruals	155,557	65,488
Increase in interest-bearing bank borrowings	43,236	5,660
Increase in tax payable	21,087	45
Increase in reserve funds	993	–
Increase/(decrease) in the exchange fluctuation reserve	3,351	(582)
Increase/(decrease) in retained profits	31,558	(1,780)
Increase in minority interests	51,081	31,637
	<u>330,522</u>	<u>126,182</u>
	<u>330,522</u>	<u>126,182</u>

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
<i>Consolidated balance sheet and equity at 31 December</i>		
Increase in property, plant and equipment	176,122	82,103
Decrease in investment properties	(35,114)	(35,831)
Increase in properties under development	397,300	146,952
Increase in interests in associates	32,738	1,747
Decrease in available-for-sale investments	(248,826)	(248,826)
Increase in inventories	1,163,288	1,130,533
Decrease in trade receivables	(31,826)	(1,198,288)
Decrease in loans and receivables	(232,670)	(85,511)
Increase in prepayments, deposits and sundry receivables	222,101	187,356
Increase in cash and cash equivalents	305,718	350,287
	<u>1,748,831</u>	<u>330,522</u>
Increase in trade and bills payables	857,596	23,659
Increase in sundry payables and accruals	206,125	155,557
Increase in interest-bearing bank borrowings	287,926	43,236
Increase in tax payable	40,467	21,087
Increase in reserve funds	10,825	993
Increase in the exchange fluctuation reserve	16,808	3,351
Increase in retained profits	247,109	31,558
Increase in minority interests	81,975	51,081
	<u>1,748,831</u>	<u>330,522</u>
		2006 <i>HK\$'000</i>
<i>Condensed consolidated cash flow statement for the year ended 31 December 2006</i>		
Increase in net cash inflow from operating activities		70,311
Increase in net cash outflow from investing activities		(362,515)
Increase in net cash inflow from financing activities		<u>243,096</u>
Net decrease in cash and cash equivalents		(49,108)
Increase in cash and cash equivalents at beginning of year		350,287
Increase in effect of foreign exchange rate changes, net		<u>4,539</u>
Increase in cash and cash equivalents at end of year		<u>305,718</u>
		2005 <i>HK\$'000</i>
<i>Condensed consolidated cash flow statement for the year ended 31 December 2005</i>		
Increase in net cash inflow from operating activities		163,995
Increase in net cash outflow from investing activities		(19,112)
Decrease in net cash outflow from financing activities		<u>39,487</u>
Net increase in cash and cash equivalents		184,370
Increase in cash and cash equivalents at beginning of year		164,979
Increase in effect of foreign exchange rate changes, net		<u>938</u>
Increase in cash and cash equivalents at end of year		<u>350,287</u>

(c) HKAS 39 Financial Instruments: Recognition and Measurement*(i) Amendment for financial guarantee contracts*

This amendment has revised the scope of HKAS 39 to require financial guarantee contracts issued that are not considered insurance contracts, to be recognised initially at fair value and to be remeasured at the higher of the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue. The adoption of this amendment has had no material impact on these financial statements.

(ii) Amendment for the fair value option

This amendment has changed the definition of a financial instrument classified as fair value through profit or loss and has restricted the use of the option to designate any financial asset or any financial liability to be measured at fair value through the income statement. The Group had not previously used this option, and hence the amendment has had no effect on the financial statements.

(d) HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease

The Group has adopted this interpretation as of 1 January 2006, which provides guidance in determining whether arrangements contain a lease to which lease accounting must be applied. This interpretation has had no material impact on these financial statements.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HKFRS 8	Operating Segments
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 <i>Financial Reporting in Hyperinflationary Economies</i>
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements

The HKAS 1 Amendment shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 shall be applied for annual periods beginning on or after 1 January 2007. The standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments.

HKFRS 8 shall be applied for annual periods beginning on or after 1 January 2009. The standard requires the disclosure of information about the operating segments of the Group, the products and services provided by the segments, the geographical areas in which the Group operates, and revenues from the Group's major customers. The standard will supersede HKAS 14 *Segment Reporting*.

HK(IFRIC)-Int 7, HK(IFRIC)-Int 8, HK(IFRIC)-Int 9, HK(IFRIC)-Int 10, HK(IFRIC)-Int 11 and HK(IFRIC)-Int 12 shall be applied for annual periods beginning on or after 1 March 2006, 1 May 2006, 1 June 2006, 1 November 2006, 1 March 2007 and 1 January 2008, respectively.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of the HKAS 1 Amendment, HKFRS 7 and HKFRS 8 may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors; or over which the Company has a contractual right to exercise a dominant influence with respect to that entity's financial and operating policies.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture entity and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

- (a) a subsidiary, if the Group, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors; or over which the Company has a contractual right to exercise a dominant influence with respect to the joint venture's financial and operating policies;
- (b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;
- (c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or
- (d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. Goodwill arising from the acquisition of associates, which was not previously eliminated against the consolidated reserves at the time of acquisition, is included as part of the Group's interests in associates.

Goodwill

Goodwill arising on the acquisition of subsidiaries and associates represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill on acquisitions for which the agreement date is on or after 1 January 2005

Goodwill arising on acquisition is initially recognised in the consolidated balance sheet as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. In the case of associates, goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with HKAS 14 *Segment Reporting*.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

An impairment loss recognised for goodwill is not reversed in a subsequent period.

Goodwill previously eliminated against consolidated reserves

Prior to the adoption of the HKICPA's Statement of Standard Accounting Practice 30 "Business Combinations" ("SSAP 30") in 2001, goodwill arising on acquisition was eliminated against consolidated reserves in the year of acquisition. On the adoption of HKFRS 3, such goodwill remains eliminated against consolidated reserves and is not recognised in the income statement when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

Excess over the cost of business combinations

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of the acquisition of subsidiaries (previously referred to as negative goodwill), after reassessment, is recognised immediately in the income statement.

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill and certain financial assets is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

- (a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;
- (b) the party is an associate;
- (c) the party is a member of the key management personnel of the Group;
- (d) the party is a close member of the family of any individual referred to in (a) or (c);
- (e) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (c) or (d); or
- (f) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Construction in progress	Nil
Freehold land	Nil
Freehold building	1.6% – 3.3%
Long term leasehold land and buildings	Over the terms of the individual leases
Medium term leasehold land and buildings	Over the terms of the individual leases
Leasehold improvements	Over the terms of the individual leases or 5 years, whichever is shorter
Furniture, fixtures and equipment	20% – 33.3%
Motor vehicles	20%
Vessel	10%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings and offices under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and other related expenses incurred during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Properties under development

Properties under development include the cost of land, construction, financing and other related expenses less any impairment losses.

Development properties where construction either has not yet commenced, or has been deferred, are included as land held for development and are stated at cost less any impairment losses.

Properties under development held for sale in respect of which occupancy permits are expected to be granted within one year from the balance sheet date are included as properties held for sale in current assets at the lower of cost and net realisable value. Cost includes all development expenditure, applicable borrowing costs and other direct costs attributable to such properties. Net realisable value is determined by reference to prevailing market prices on an individual property basis.

Properties held for sale

Properties held for sale, including properties under development which have been pre-sold, are stated at the lower of cost and net realisable value. Cost is determined by an apportionment of the total land and buildings costs, including the cost of land, construction, financing and other related expenses less any impairment losses. Net realisable value is determined by reference to prevailing market prices on an individual property basis.

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any impairment losses.

Depreciation is calculated on the straight-line basis to write off the cost of each investment property to its residual value over its estimated useful life. The principal annual rate used for this purpose is over the terms of the individual leases.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

Transfers between investment properties and owner-occupied properties do not change the carrying amount or the cost of the properties transferred.

Intangible asset (other than goodwill)

Trading right

Trading right, representing the eligibility right to trade on or through The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) with an indefinite useful life, is tested for impairment annually either individually or at the cash-generating unit level. Such intangible asset is not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the lessee are accounted for as finance leases. Where the Group is the lessor, assets leased out by the Group under finance leases are derecognised at the inception of the finance leases. Finance lease income is recognised in the income statement progressively using the applicable effective interest rates over the lease terms so as to provide a constant periodic rate of return on the net investment.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased out by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land premiums under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment or investment properties.

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group considers whether a contract contains an embedded derivative when the Group first becomes a party to it. The embedded derivatives are separated from the host contract which is not measured at fair value through profit or loss when the analysis shows that the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Gains or losses on investments held for trading are recognised in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in unlisted equity securities and club membership debentures that are designated as available-for-sale or are not classified in any of the other two categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. Impairment losses on equity instruments classified as available-for-sale are not reversed through the income statement.

Impairment losses on debt instruments are reversed through the income statement, if the increase in fair value of the instrument can be objectively related to an event, occurring after the impairment loss was recognised in the income statement.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities at amortised cost (including interest-bearing loans and borrowings)

Financial liabilities including trade and other payables and interest-bearing loans and borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Financial guarantee contracts

Financial guarantee contracts in the scope of HKAS 39 are accounted for as financial liabilities. A financial guarantee contract is recognised initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract, except when such contract is recognised at fair value through profit or loss. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Derivative financial instruments and hedging

The Group uses derivative financial instruments such as cross currency interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the income statement.

The fair value of cross currency interest rate swap contracts is determined by reference to the present value of estimated future cash flows.

For the purpose of hedge accounting, hedges are classified as fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk).

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated. Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Fair value hedges

The change in the fair value of a hedging derivative is recognised in the income statement. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying amount of the hedged item and is also recognised in the income statement.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through the income statement over the remaining term to maturity. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortised to the income statement.

Amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognised, the unamortised fair value is recognised immediately in the income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of motor vehicles and machines and engines is determined on the unit cost basis. The cost of all other inventories is determined on the weighted average basis. Cost includes all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheets, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Provision for product warranties granted by the Group to its customers on certain of its motor vehicles is based on sales volumes and past experience of the level of repairs.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from the sale of goods when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods, properties or listed investments sold;
- (b) from the rendering of repair services, based on the stage of completion of the transaction, provided that the costs incurred as well as the estimated costs to completion can be measured reliably. The stage of completion of a transaction associated with the rendering of services is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction;
- (c) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset;
- (d) currency options premiums, on the transaction date when the relevant currency options contract is entered into;
- (e) dividend income, when the shareholders' right to receive payment has been established;
- (f) from the trading of foreign exchange, on the transaction date when the foreign exchange position is closed out;
- (g) commission and brokerage income from securities dealing, on a trade date basis;
- (h) from the rendering of insurance brokerage services, when the related insurance premiums become payable;
- (i) rental income, on a time proportion basis over the lease terms; and
- (j) from the rendering of trade finance services income, when the services have been rendered.

Employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Retirement benefits schemes

The Group operates an occupational retirement scheme registered under the Occupational Retirement Schemes Ordinance (Cap. 426). This scheme has been granted exemption pursuant to Section 5 of the Mandatory Provident Fund Schemes Ordinance. Contributions are made based on a percentage of the employees' basic salaries. When an employee leaves the scheme, unvested benefits will be used to reduce the ongoing employer's contributions.

The Group also operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. The Group's employer contributions based on 5% of the employees' relevant income will vest fully with the employees upon retirement.

Contributions to these schemes are charged to the income statement as they become payable in accordance with the rules of the schemes. The assets of the schemes are held separately from those of the Group and managed by independent professional fund managers.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the respective local municipal governments. These subsidiaries are required to contribute a specific percentage of their payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The Group has adopted the transitional provisions of HKFRS 2 in respect of equity-settled awards and has applied HKFRS 2 only to equity-settled awards granted after 7 November 2002 that had not vested by 1 January 2005 and to those granted on or after 1 January 2005.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The 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.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section in the balance sheet, until they have been approved by the shareholders in the annual general meeting. When these dividends have been declared and approved by the shareholders, they are recognised as a liability.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries and associates are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at exchange rates ruling at the balance sheet date, and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**Judgements**

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill on acquisitions of subsidiaries and an associate at 31 December 2006 was HK\$702,654,000 (2005: HK\$676,466,000) and HK\$229,689,000 (2005: HK\$229,689,000), respectively. More details are given in notes 17 and 20 to the financial statements.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2006 was HK\$12,678,000 (2005: HK\$11,132,000). The amounts of unrecognised tax losses arising in Hong Kong and Mainland China at 31 December 2006 was HK\$80,703,000 (2005: HK\$49,434,000) and HK\$42,129,000 (2005: HK\$52,089,000), respectively. Further details are contained in note 36 to the financial statements.

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold and repair services rendered; the gross proceeds on the sale of properties; interest income earned from time deposits, term loans, margin loans and credit linked notes; premiums received from currency options; dividend income from listed investments; foreign exchange trading losses; net gains/(losses) on dealing in listed investments; commission and brokerage income from securities dealing; and insurance brokerage income, but excludes intra-group transactions.

The Group's revenue, other income and gains for the year arose from the following activities:

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i> (Restated)
Revenue		
Sale of goods	16,151,077	12,248,115
Rendering of repair services	847,066	586,889
Sale of properties	621,952	473,070
Interest income from:		
Time deposits	—	1,225
Term loans and margin loans	18,767	10,934
Credit linked notes	5,968	6,698
Premium received from currency options	—	4,694
Dividend income from listed investments	10,951	7,463
Foreign exchange trading losses, net	—	(40,046)
Net gains/(losses) on dealing in listed investments	27,425	(4,496)
Commission and brokerage income from securities dealing	8,196	3,458
Insurance brokerage income	880	772
	<u>17,692,282</u>	<u>13,298,776</u>
Other income and gains		
Fair value gains on equity investments at fair value through profit or loss, net	7,019	1,851
Gross rental income	43,457	23,971
Bank interest income	35,876	29,451
Trade finance services income	34,790	—
Other income	43,601	20,592
	<u>164,743</u>	<u>75,865</u>

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	<i>Notes</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i> (Restated)
Cost of inventories sold		15,248,128	11,313,223
Cost of services rendered		551,658	404,642
Depreciation of property, plant and equipment	13	131,475	96,488
Depreciation of investment properties	14	9,693	4,970
Recognition of prepaid land premiums	15	6,472	4,289
Release of goodwill upon sales of developed properties*	17	11,599	7,972
Minimum lease payments under operating leases for land and buildings		52,549	63,798
Auditors' remuneration		5,708	4,787
Employee benefits expense (including directors' remuneration (<i>note 7</i>)):			
Wages and salaries		461,735	354,870
Pension scheme contributions		21,103	18,035
Less: Forfeited contributions		(1,006)	(135)
Net pension scheme contributions**		20,097	17,900
		481,832	372,770
Foreign exchange differences, net		(54,876)	12,549
Impairment of trade receivables		11,629	18,154
Impairment of a short term receivable		5,000	—
Write-down of inventories to net realisable value		34,115	20,258
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		12,400	8,310
Provision for long service payments	35	7,804	10,415
Provision for product warranties	35	9,957	11,311
Fair value gains on equity investments at fair value through profit or loss, net		(7,019)	(1,851)
Gain on disposal of items of property, plant and equipment		(596)	(128)
Dividend income from listed investments		(10,951)	(7,463)
Net rental income		(31,057)	(15,661)
Interest income		(60,611)	(48,308)

* Goodwill arising on acquisitions of subsidiaries whose principal activity is property development is released by reference to the sales of the related developed properties. The amount was included in "Other operating expenses" on the face of the consolidated income statement.

** At 31 December 2005, the Group had forfeited contributions of HK\$18,000 available to reduce its contributions to the pension schemes in future years.

6. FINANCE COSTS

	Group	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Restated)
Interest on borrowings wholly repayable within five years:		
Bank loans	132,774	104,922
Trust receipt loans	53,696	43,638
Bank overdrafts	8,593	3,212
	<u>195,063</u>	<u>151,772</u>

7. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance, is as follows:

	Group	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fees	<u>810</u>	<u>650</u>
Other emoluments:		
Salaries, allowances and benefits in kind	10,003	11,454
Discretionary bonuses	3,714	2,396
Pension scheme contributions	693	784
	<u>14,410</u>	<u>14,634</u>
	<u>15,220</u>	<u>15,284</u>

(a) Independent non-executive directors

The fees paid and payable to independent non-executive Directors during the year were as follows:

	Group	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fung Ka Pun	150	120
Hubert Meier	150	120
Alan Howard Smith, <i>JP</i>	120	120
	<u>420</u>	<u>360</u>

There were no other emoluments payable to the independent non-executive Directors during the year (2005: Nil).

(b) Executive Directors and non-executive Directors

2006

	Fees <i>HK\$'000</i>	Salaries, allowances and benefits in kind <i>HK\$'000</i>	Discretionary bonuses <i>HK\$'000</i>	Pension scheme contributions <i>HK\$'000</i>	Total remuneration <i>HK\$'000</i>
<i>Executive Directors:</i>					
Gan Khian Seng	–	3,015	1,250	225	4,490
Yong Foo San, <i>JP</i>	–	3,011	1,000	180	4,191
Lim Mooi Ying, Marianne	–	3,007	1,250	225	4,482
Volker Josef Eckehard Harms (resigned on 19 April 2006)	–	362	–	27	389
Poh Yeow Kim Lawrence (resigned on 19 April 2006)	–	608	214	36	858
	–	10,003	3,714	693	14,410
<i>Non-executive Directors:</i>					
Victor Yang	150	–	–	–	150
Christopher Patrick Langley, <i>OBE</i>	120	–	–	–	120
Lam Kwong Yu, <i>SBS</i>	120	–	–	–	120
	390	–	–	–	390
	390	10,003	3,714	693	14,800

2005

	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Pension scheme contributions	Total remuneration
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
<i>Executive Directors:</i>					
Gan Khian Seng	—	3,014	750	225	3,989
Yong Foo San, <i>JP</i>	—	3,010	600	180	3,790
Lim Mooi Ying, Marianne	—	3,006	750	225	3,981
Volker Josef Eckehard Harms	—	1,200	200	90	1,490
Poh Yeow Kim Lawrence	—	511	96	29	636
Lam Kwong Yu, <i>SBS</i> (re-designated as non-executive director on 4 August 2005)	—	713	—	35	748
	—	11,454	2,396	784	14,634
<i>Non-executive Directors:</i>					
Victor Yang	120	—	—	—	120
Christopher Patrick Langley, <i>OBE</i>	120	—	—	—	120
Lam Kwong Yu, <i>SBS</i> (re-designated as non-executive Director on 4 August 2005)	50	—	—	—	50
	290	—	—	—	290
	290	11,454	2,396	784	14,924

There was no arrangement under which a Director waived or agreed to waive any remuneration during the year.

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2005: three) executive Directors, details of whose remuneration are set out in note 7 above. Details of the remuneration of the remaining two (2005: two) non-director, highest paid employees for the year are as follows:

	Group	
	2006	2005
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Salaries, allowances and benefits in kind	5,637	4,724
Discretionary bonuses	890	730
Pension scheme contributions	242	204
	<u>6,769</u>	<u>5,658</u>

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2006	2005
HK\$2,500,001 – HK\$3,500,000	1	2
HK\$3,500,001 – HK\$4,500,000	1	–
	<u>2</u>	<u>2</u>

9. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

		Group	
		2006	2005
	<i>Note</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
			(Restated)
Group:			
Income tax			
Current – Hong Kong			
Charge for the year		2,122	18,468
Overprovision in prior years		(1,130)	(4,918)
Current – Elsewhere			
Charge for the year		259,207	101,295
Underprovision in prior years		1,521	–
Land appreciation tax			
Charge for the year		20,581	70,035
Deferred	36	<u>4,419</u>	<u>9,938</u>
Total tax charge for the year		<u>286,720</u>	<u>194,818</u>

A reconciliation of the tax charge applicable to profit before tax using the statutory tax rate for the location in which the Company and the majority of its subsidiaries are domiciled to the tax charge at the Group's effective tax rate is as follows:

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i> (Restated)
Profit before tax	<u>667,985</u>	<u>507,827</u>
Tax charge at the Hong Kong statutory tax rate	116,897	88,870
Tax effect arising from lower or higher tax rates of overseas subsidiaries and associates, ranging from 15% to 33%	98,215	54,698
Tax effect of non taxable income	(5,855)	(16,514)
Tax effect of non deductible expenses	54,381	33,322
Utilisation of tax losses	(14,197)	(8,312)
Tax losses not recognised	16,735	11,463
Adjustments in respect of current tax of previous years	391	(4,918)
Tax effect of profits and losses attributable to associates	(17,752)	(14,595)
Tax effect of temporary differences, net	24,116	3,881
Land appreciation tax	20,581	70,035
Tax effect of land appreciation tax	<u>(6,792)</u>	<u>(23,112)</u>
Tax charge at the Group's effective rate	<u>286,720</u>	<u>194,818</u>

The share of tax attributable to associates amounting to HK\$29,558,000 (2005 (restated): HK\$23,879,000) is included in "Share of profits and losses of associates" on the face of the consolidated income statement.

The land appreciation tax is levied on properties developed by the Group for sale, at progressive rates ranging from 30% to 50% on the appreciation of land value, which under the applicable regulations is calculated based on the proceeds of sale of properties less deductible expenditures, including lease charges of land use rights, borrowing costs and all property development expenditures. The land appreciation tax of HK\$20,581,000 (2005: HK\$70,035,000) is charged to the consolidated income statement for the year.

10. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The consolidated profit attributable to equity holders of the parent for the year ended 31 December 2006 includes a loss of HK\$70,000 (2005: profit of HK\$17,508,000) which has been dealt with in the financial statements of the Company (note 39(b)).

11. DIVIDEND

	Company 2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Proposed final – HK3 cents (2005: HK3 cents) per ordinary share	<u>31,818</u>	<u>31,816</u>

The proposed final dividend for the year is subject to the approval of the Company's Shareholders at the forthcoming annual general meeting.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per Share is based on the profit for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary Shares in issue during the year.

The calculation of diluted earnings per Share is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary Shares used in the calculation is the number of ordinary Shares in issue during the year, as used in the basic earnings per Share calculation, and the weighted average number of ordinary Shares assumed to have been issued at no consideration on the deemed exercise of all the dilutive potential ordinary Shares into ordinary Shares.

The calculations of basic and diluted earnings per Share are based on:

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i> (Restated)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per Share calculations	<u>315,215</u>	<u>285,879</u>
	Number of shares	
	2006	2005
Shares		
Weighted average number of ordinary Shares in issue during the year used in basic earnings per Share calculation	1,060,559,323	1,057,596,486
Effect of dilution – Weighted average number of ordinary Shares:		
Warrants	<u>5,512,496</u>	<u>7,259,401</u>
	<u>1,066,071,819</u>	<u>1,064,855,887</u>

As the subscription prices of the share options outstanding during the years ended 31 December 2006 and 2005 were higher than the respective average market prices of the Company's Shares during these years, there was no dilutive effect on the basic earnings per Share.

13. PROPERTY, PLANT AND EQUIPMENT

Group							
		Construction	Land and	Leasehold	Furniture,	Motor	
		in	buildings	improve-	fixtures	vehicles	Vessel
		progress		ments	and		Total
Notes	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)
31 December 2006							
At 31 December 2005 and at 1 January 2006:							
Cost	68,949	1,082,958	60,721	362,172	182,819	1,850	1,759,469
Accumulated depreciation	–	(128,786)	(24,741)	(154,871)	(67,247)	(1,557)	(377,202)
Net carrying amount	<u>68,949</u>	<u>954,172</u>	<u>35,980</u>	<u>207,301</u>	<u>115,572</u>	<u>293</u>	<u>1,382,267</u>
At 1 January 2006, net of accumulated depreciation	68,949	954,172	35,980	207,301	115,572	293	1,382,267
Additions	117,181	154,986	26,525	175,065	210,962	–	684,719
Disposals	–	(11,409)	–	(45,998)	(59,650)	–	(117,057)
Disposal of a subsidiary	40(c) –	–	(557)	(756)	–	–	(1,313)
Depreciation provided during the year	–	(27,221)	(10,569)	(51,935)	(41,565)	(185)	(131,475)
Transfers to inventories	–	–	–	(28,297)	–	–	(28,297)
Transfers to investment properties	14 –	(186,010)	–	–	–	–	(186,010)
Reclassification	(121,412)	121,412	–	–	–	–	–
Exchange realignment	2,649	59,552	1,225	10,634	6,210	–	80,270
At 31 December 2006, net of accumulated depreciation	<u>67,367</u>	<u>1,065,482</u>	<u>52,604</u>	<u>266,014</u>	<u>231,529</u>	<u>108</u>	<u>1,683,104</u>
At 31 December 2006:							
Cost	67,367	1,205,780	88,576	402,647	315,044	1,850	2,081,264
Accumulated depreciation	–	(140,298)	(35,972)	(136,633)	(83,515)	(1,742)	(398,160)
Net carrying amount	<u>67,367</u>	<u>1,065,482</u>	<u>52,604</u>	<u>266,014</u>	<u>231,529</u>	<u>108</u>	<u>1,683,104</u>
31 December 2005							
At 1 January 2005:							
Cost	50,870	845,905	40,637	283,894	148,562	1,850	1,371,718
Accumulated depreciation	–	(107,352)	(18,152)	(134,779)	(52,780)	(1,372)	(314,435)
Net carrying amount	<u>50,870</u>	<u>738,553</u>	<u>22,485</u>	<u>149,115</u>	<u>95,782</u>	<u>478</u>	<u>1,057,283</u>

APPENDIX I

FINANCIAL INFORMATION RELATING TO THE GROUP

		Construction in progress	Land and buildings	Leasehold improve- ments	Furniture, fixtures and equipment	Motor vehicles	Vessel	Total
	Notes	HK\$ '000 (Restated)	HK\$ '000 (Restated)	HK\$ '000 (Restated)	HK\$ '000 (Restated)	HK\$ '000 (Restated)	HK\$ '000	HK\$ '000 (Restated)
At 1 January 2005, net of accumulated depreciation		50,870	738,553	22,485	149,115	95,782	478	1,057,283
Additions		58,642	270,413	19,420	101,557	79,496	–	529,528
Disposals		–	(241)	–	(4,154)	(36,220)	–	(40,615)
Depreciation provided during the year		–	(26,312)	(6,317)	(38,369)	(25,305)	(185)	(96,488)
Transfers to inventories and properties held for sale		–	(937)	–	(3,667)	–	–	(4,604)
Transfers to investment properties	14	–	(82,565)	–	–	–	–	(82,565)
Reclassification		(41,506)	41,506	–	–	–	–	–
Exchange realignment		943	13,755	392	2,819	1,819	–	19,728
		<u>68,949</u>	<u>954,172</u>	<u>35,980</u>	<u>207,301</u>	<u>115,572</u>	<u>293</u>	<u>1,382,267</u>
At 31 December 2005, net of accumulated depreciation		<u>68,949</u>	<u>954,172</u>	<u>35,980</u>	<u>207,301</u>	<u>115,572</u>	<u>293</u>	<u>1,382,267</u>
At 31 December 2005:								
Cost		68,949	1,082,958	60,721	362,172	182,819	1,850	1,759,469
Accumulated depreciation		<u>–</u>	<u>(128,786)</u>	<u>(24,741)</u>	<u>(154,871)</u>	<u>(67,247)</u>	<u>(1,557)</u>	<u>(377,202)</u>
Net carrying amount		<u>68,949</u>	<u>954,172</u>	<u>35,980</u>	<u>207,301</u>	<u>115,572</u>	<u>293</u>	<u>1,382,267</u>

The Group's land and buildings included above are analysed as follows:

	Hong Kong HK\$ '000	Elsewhere HK\$ '000	Total HK\$ '000
Freehold	–	640,761	640,761
Long term leases	8,085	35,749	43,834
Medium term leases	<u>–</u>	<u>380,887</u>	<u>380,887</u>
Net carrying amount at 31 December 2006	<u>8,085</u>	<u>1,057,397</u>	<u>1,065,482</u>
	Hong Kong HK\$ '000	Elsewhere HK\$ '000 (Restated)	Total HK\$ '000 (Restated)
Freehold	–	551,177	551,177
Long term leases	8,295	31,785	40,080
Medium term leases	<u>–</u>	<u>362,915</u>	<u>362,915</u>
Net carrying amount at 31 December 2005	<u>8,295</u>	<u>945,877</u>	<u>954,172</u>

Company

	Leasehold land and building <i>HK\$ '000</i>	Leasehold improvements <i>HK\$ '000</i>	Furniture, fixtures and equipment <i>HK\$ '000</i>	Motor vehicles <i>HK\$ '000</i>	Vessel <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
31 December 2006						
At 1 January 2006, net of accumulated depreciation	8,295	159	–	4,052	293	12,799
Additions	–	45	–	–	–	45
Depreciation provided during the year	(210)	(71)	–	(1,442)	(185)	(1,908)
At 31 December 2006, net of accumulated depreciation	<u>8,085</u>	<u>133</u>	<u>–</u>	<u>2,610</u>	<u>108</u>	<u>10,936</u>
At 31 December 2006:						
Cost	10,500	495	12	9,020	1,850	21,877
Accumulated depreciation	<u>(2,415)</u>	<u>(362)</u>	<u>(12)</u>	<u>(6,410)</u>	<u>(1,742)</u>	<u>(10,941)</u>
Net carrying amount	<u>8,085</u>	<u>133</u>	<u>–</u>	<u>2,610</u>	<u>108</u>	<u>10,936</u>
31 December 2005						
At 1 January 2005:						
Cost	10,500	450	12	8,419	1,850	21,231
Accumulated depreciation	<u>(1,995)</u>	<u>(219)</u>	<u>(12)</u>	<u>(4,549)</u>	<u>(1,372)</u>	<u>(8,147)</u>
Net carrying amount	<u>8,505</u>	<u>231</u>	<u>–</u>	<u>3,870</u>	<u>478</u>	<u>13,084</u>
At 1 January 2005, net of accumulated depreciation	8,505	231	–	3,870	478	13,084
Additions	–	–	–	1,372	–	1,372
Depreciation provided during the year	(210)	(72)	–	(1,190)	(185)	(1,657)
At 31 December 2005, net of accumulated depreciation	<u>8,295</u>	<u>159</u>	<u>–</u>	<u>4,052</u>	<u>293</u>	<u>12,799</u>
At 31 December 2005 and at 1 January 2006:						
Cost	10,500	450	12	9,791	1,850	22,603
Accumulated depreciation	<u>(2,205)</u>	<u>(291)</u>	<u>(12)</u>	<u>(5,739)</u>	<u>(1,557)</u>	<u>(9,804)</u>
Net carrying amount	<u>8,295</u>	<u>159</u>	<u>–</u>	<u>4,052</u>	<u>293</u>	<u>12,799</u>

The Company's land and building is situated in Hong Kong and is held under a long term lease.

14. INVESTMENT PROPERTIES

	Group <i>HK\$'000</i>	Company <i>HK\$'000</i>
31 December 2006		
Carrying amount at 1 January 2006		
As previously reported	462,941	2,030
Effect of adopting HKAS 27 Amendment (<i>note 2.2(b)</i>)	(35,831)	–
	<u>427,110</u>	<u>2,030</u>
As restated	427,110	2,030
Exchange realignment	31,046	–
Additions	19,881	–
Transfer from property, plant and equipment (<i>note 13</i>)	186,010	–
Depreciation provided during the year	(9,693)	(62)
	<u>654,354</u>	<u>1,968</u>
Carrying amount at 31 December 2006	<u>654,354</u>	<u>1,968</u>
At 31 December 2006:		
Cost	690,644	2,091
Accumulated depreciation	(36,290)	(123)
	<u>654,354</u>	<u>1,968</u>
Net carrying amount	<u>654,354</u>	<u>1,968</u>
	Group <i>HK\$'000</i>	Company <i>HK\$'000</i> (Restated)
31 December 2005		
Carrying amount at 1 January 2005	75,030	2,091
Additions	274,485	–
Transfer from property, plant and equipment (<i>note 13</i>)	82,565	–
Depreciation provided during the year	(4,970)	(61)
	<u>427,110</u>	<u>2,030</u>
Carrying amount at 31 December 2005	<u>427,110</u>	<u>2,030</u>
At 31 December 2005:		
Cost	438,640	2,091
Accumulated depreciation	(11,530)	(61)
	<u>427,110</u>	<u>2,030</u>
Net carrying amount	<u>427,110</u>	<u>2,030</u>
The Group's investment properties are situated outside Hong Kong and are analysed as follows:		
	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i> (Restated)
Freehold	473,651	332,961
Long term leases	39,402	19,767
Medium term leases	141,301	74,382
	<u>654,354</u>	<u>427,110</u>
Net carrying amount at 31 December	<u>654,354</u>	<u>427,110</u>

The Company's investment property is situated in the PRC and held under a medium term lease. Other details of the Group's investment properties as at 31 December 2006 are as follows:

Location	Group's interest	Tenure	Gross floor area	Existing use
Unit 703A-B, 7th Floor, Citic Building, Jin Sha Road East, Long Hu District, Shantou, Guangdong, PRC	100%	Medium term lease	447 m ²	Office
Rooms 1201-06 on 12th Floor and the whole of 24th Floor and car parking spaces nos. 90, 91, 92, 93, 94 and 95 in Basement 2, Guangzhou International Trading Centre, No.1, Lin He Road West, Tianhe District, Guangzhou, Guangdong, PRC	100%	Medium term lease	3,158 m ²	Office
1000 Huashan Road, Changning District, Shanghai, PRC	100%	Medium term lease	715 m ²	Office
The Clubhouse, Starcrest, Wangjing Dong Yuan Yi Qu, Chaoyang District, Beijing, PRC	95%	Long term lease	1,835 m ²	Clubhouse
16th Floor and two car parking spaces nos. 51 & 52, 2nd Tower Basement, Shartex Plaza, No.88 Zun Yi Nan Road, Changning District, Shanghai, PRC	100%	Long term lease	954 m ²	Office
58-20, 98 Hangdong 7 ga, Jung-gu, Incheon, Korea	100%	Freehold	4,256 m ²	Warehouse
B301, 101-13, Yulhyeon-dong, Gangnam-gu, Seoul, Korea	100%	Freehold	341 m ²	Used car centre
3rd to 6th Floors, Porsche Tower, 949-11, Daechi-dong, Gangnam-gu, Seoul, Korea	100%	Freehold	3,594 m ²	Showroom and office
3rd to 6th Floors, Je-il Fire Insurance Building, 168-3, 168-4, 168-5, Samsung-dong, Gangnam-gu, Seoul, Korea	100%	Freehold	4,794 m ²	Office
No. 285 Gang Ao Road, Wai Gao Qiao Free Trade Zone, Shanghai, PRC	100%	Medium term lease	14,070 m ²	Warehouse
No. 75 Haibin 5th Road, Tianjin Tanggu Free Trade Zone, Tianjin, PRC	100%	Medium term lease	16,425 m ²	Showroom, storage and office
No. 19 Haitian Road, Dalian Free Trade Zone, Dalian, PRC	100%	Medium term lease	8,271 m ²	Showroom, storage and office
B-0111, D-0231 and D-0251, RITS Garden, Tianzhu Zhen Shunyi District, Beijing, PRC	100%	Long term lease	1,365 m ²	Residential

The aggregate fair value of the Group's investment properties at 31 December 2006 assessed by Chung, Chan & Associates, independent professionally qualified valuers, on an open market, existing use basis was HK\$844,576,000. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 42(a) to the financial statements.

15. PREPAID LAND PREMIUMS

	Group	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Carrying amount at 1 January	240,888	201,487
Exchange adjustments	6,174	2,021
Additions	72,104	48,570
Disposals	(68,188)	(6,901)
Recognised during the year	(6,472)	(4,289)
	<hr/>	<hr/>
Carrying amount at 31 December	244,506	240,888
Current portion	(6,569)	(5,127)
	<hr/>	<hr/>
Non-current portion	<u>237,937</u>	<u>235,761</u>

The Group's leasehold land is situated outside Hong Kong and is analysed as follows:

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Long term leases	5,833	74,113
Medium term leases	238,673	166,775
	<hr/>	<hr/>
Net carrying amount at 31 December	<u>244,506</u>	<u>240,888</u>

16. PROPERTIES UNDER DEVELOPMENT

	Group	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Restated)
At 1 January		
As previously reported	662,728	1,303,464
Effect of adopting HKAS 27 Amendment (<i>note 2.2(b)</i>)	146,952	114,918
	<hr/>	<hr/>
As restated	809,680	1,418,382
Exchange adjustments	19,741	18,706
Additions, at cost	390,245	606,903
Reclassified as "Properties held for sale" within the current assets section in the consolidated balance sheet	—	(1,234,311)
	<hr/>	<hr/>
At 31 December	<u>1,219,666</u>	<u>809,680</u>

Details of the properties under development are as follows:

Location	Use	Group's interest	Site area	Gross floor area	Stage of completion	Expected completion date
Starcrest, Phase III, A3 Residential Area, Wangjing New City, Chaoyang District, Beijing, PRC	Residential/Retail	95%	35,026 m ²	119,992 m ²	Foundation	2008
Lot No.7, Cheng Du Road, Jing An District, Shanghai, PRC*	—	95%	7,358 m ²	44,148 m ²	Land bank	—
LSH Plaza, No. 28, Area B, Wangjing New City, Chaoyang District, Beijing, PRC	Commercial/Retail	100%	31,988 m ²	174,989 m ²	Super-structure under construction	2008

* A letter of intent was entered into between the Group and the Shanghai government for a proposed exchange of the land with another piece of land in Shanghai having comparable gross floor area. This arose as the Shanghai government modified the area around the land into a green zone for the city. The Group is currently in discussion with the Shanghai government on detail terms of the land exchange but is uncertain on the timing by which the exchange will be completed.

17. GOODWILL

Group

	<i>HK\$'000</i>
At 1 January 2005:	
Cost	681,395
Accumulated release upon sales of developed properties	—
Net carrying amount	<u>681,395</u>
Cost at 1 January 2005, net of accumulated release upon sales of developed properties	681,395
Exchange adjustments	132
Purchase of an additional interest in a subsidiary (<i>note 40(a)</i>)	2,911
Release during the year upon sales of developed properties (<i>note 5</i>)*	<u>(7,972)</u>
At 31 December 2005	<u>676,466</u>
At 31 December 2005:	
Cost	684,438
Accumulated release upon sales of developed properties	<u>(7,972)</u>
Net carrying amount	<u>676,466</u>

HK\$ '000

Cost at 1 January 2006, net of accumulated release upon sales of developed properties	676,466
Exchange adjustments	116
Purchases of additional interests in subsidiaries (<i>note 40(a)</i>)	37,671
Release during the year upon sales of developed properties (<i>note 5</i>)*	(11,599)
	<hr/>
At 31 December 2006	702,654
	<hr/>
At 31 December 2006:	
Cost	722,231
Accumulated release upon sales of developed properties	(19,577)
	<hr/>
Net carrying amount	702,654
	<hr/>

- * Goodwill arising on acquisitions of subsidiaries whose principal activity is property development is released by reference to the sales of the related development properties.

As further detailed in note 2.4 to the financial statements, the Group applied the transitional provisions of HKFRS 3 that permitted goodwill in respect of business combinations which occurred prior to 2001, to remain eliminated against consolidated reserves. As at 31 December 2006, the amount of goodwill remaining in consolidated reserves, arising from the acquisitions of subsidiaries prior to the adoption of SSAP 30 in 2001, was stated at its cost of HK\$3,082,000 (2005: HK\$3,082,000).

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the following cash-generating units, which are reportable segments, for impairment testing:

- the cash-generating unit of the trading of motor vehicles and spare parts and provision of after-sales services;
- the cash-generating unit of the trading of heavy equipment and provision of product support services; and
- the cash-generating unit of property development and investment.

The cash-generating unit of the trading of motor vehicles and spare parts and provision of after-sales services

The recoverable amount of the cash-generating unit of the trading of motor vehicles and spare parts and provision of after-sales services has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by management covering a five-year period. The discount rate applied to cash flow projections is 5% (2005: 5%) and cash flows beyond the five-year period are extrapolated using a growth rate of 8% (2005: 8%) which is the same as the long term average growth rate of the motor vehicle industry.

The cash-generating unit of the trading of heavy equipment and provision of product support services

The recoverable amount of the cash-generating unit of the trading of heavy equipment and provision of product support services has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by management covering a five-year period. The discount rate applied to cash flow projections is 5% (2005: 5%) and cash flows beyond the five-year period are extrapolated using a growth rate of 10% (2005: 10%) which is the same as the long term average growth rate of the heavy equipment industry.

The cash-generating unit of property development and investment

The recoverable amount of the cash-generating unit of property development and investment is also determined based on the fair value less costs to sell by reference to the prevailing market prices on the properties held under development.

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Trading of motor vehicles and spare parts and provision of after-sales services	575,067	537,396
Trading of heavy equipment and provision of product support services	11,528	11,412
Property development and investment	<u>116,059</u>	<u>127,658</u>
Carrying amount of goodwill	<u><u>702,654</u></u>	<u><u>676,466</u></u>

Key assumptions were used in the value in use calculation of the cash-generating units of the trading of motor vehicles and spare parts and provision of after-sales services and the trading of heavy equipment and provision of product support services for the years ended 31 December 2006 and 2005. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budgeted year.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units.

18. OTHER INTANGIBLE ASSET**Group**

	Trading right 2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
At 1 January and 31 December:		
Cost	3,000	3,000
Accumulated amortisation	<u>(1,350)</u>	<u>(1,350)</u>
Net carrying amount	<u><u>1,650</u></u>	<u><u>1,650</u></u>

19. INTERESTS IN SUBSIDIARIES

	Company	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	3,366,673	3,366,673
Due from subsidiaries	2,706,371	2,291,061
Due to subsidiaries	(353,920)	(480,819)
	<u>5,719,124</u>	<u>5,176,915</u>
Impairment	(519,100)	(519,100)
	<u>5,200,024</u>	<u>4,657,815</u>

Certain unsecured amounts due from subsidiaries bear interest at approximately 4.9% per annum (2005: approximately 3.6% per annum) and have no fixed terms of repayment. Certain unsecured amounts due to subsidiaries bear interest at rates ranging from approximately 4.3% to 4.7% per annum (2005: approximately 2.1% to 3.7% per annum) and have no fixed terms of repayment. Other amounts due from/to subsidiaries are unsecured, non interest-bearing and have no fixed terms of repayment. The carrying amounts of these amounts due from/to subsidiaries approximate to their fair values.

Details of the principal subsidiaries are set out in note 47 to the financial statements.

20. INTERESTS IN ASSOCIATES

	Group	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Restated)
Share of net assets other than goodwill	1,707,465	1,641,157
Effect of adopting HKAS 27 Amendment (<i>note 2.2(b)</i>)	32,738	1,747
	<u>1,740,203</u>	<u>1,642,904</u>
Goodwill on acquisition	229,689	229,689
	<u>1,969,892</u>	<u>1,872,593</u>
Due from associates	43,996	25,731
Due to associates	(32,845)	(172,471)
	<u>11,151</u>	<u>(146,740)</u>
	<u>1,981,043</u>	<u>1,725,853</u>

The amounts due from/to the associates are unsecured, interest-free, and have no fixed terms of repayment. The carrying amounts of these balances approximate to their fair values.

Impairment testing of goodwill on acquisition of an associate

The acquired goodwill related to an associate which is engaged in the trading of motor vehicles and spare parts and provision of after-sales services in Taiwan. The recoverable amount of the associate's cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by management covering a five-year period. The discount rate applied to cash flow projections is 5% (2005: 5%) and cash flows beyond the five-year period are extrapolated using a growth rate of 8% (2005: 8%) which is the same as the long term average growth rate of the motor vehicle industry.

Key assumptions were used in the value in use calculation of the cash-generating unit of the trading of motor vehicles and spare parts and provision of after-sales services for the years ended 31 December 2006 and 2005 and are explained under "Goodwill" (note 17) above.

Details of the principal associates are set out in note 48 to the financial statements.

The following table illustrates the summarised financial information of the Group's associates extracted from their financial statements:

	2006 <i>HK\$ '000</i>	2005 <i>HK\$ '000</i> (Restated)
Assets	13,467,566	8,896,037
Liabilities	8,166,834	4,050,589
Revenues	15,936,421	5,664,840
Profit	<u>307,367</u>	<u>176,239</u>

21. AVAILABLE-FOR-SALE INVESTMENTS

	Group		Company	
	2006 <i>HK\$ '000</i>	2005 <i>HK\$ '000</i> (Restated)	2006 <i>HK\$ '000</i>	2005 <i>HK\$ '000</i>
Unlisted equity investments in overseas companies, at cost	1,991	1,886	—	—
Transferable club membership debentures, at fair value	<u>7,930</u>	<u>9,803</u>	<u>1,820</u>	<u>1,820</u>
	<u>9,921</u>	<u>11,689</u>	<u>1,820</u>	<u>1,820</u>

The above investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate. As management has considered that the variability in the range of reasonable fair value estimates for these unquoted investments is significant for those investments and the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, these unlisted equity investments are stated at cost less any impairment losses.

The fair values of debentures are based on quoted market prices.

22. NET INVESTMENTS IN FINANCE LEASES

The Group leases out machinery products under finance lease arrangements. The terms of the leases range from two to five years.

At 31 December 2006, the total future minimum lease receivables under finance leases and their present values were as follows:

	Minimum lease receivables		Present value of minimum lease receivables	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Amounts receivable:				
Within one year	15,649	82,864	15,649	82,864
In the second to fifth years, inclusive	26,244	42,143	23,512	37,888
Total minimum finance lease receivables	41,893	125,007	39,161	120,752
Unearned finance income	(2,732)	(4,255)		
Total net finance lease receivables	39,161	120,752		
Portion classified as current assets	(15,649)	(82,864)		
Non-current portion	23,512	37,888		

The net finance lease receivables bear interest at 6.5% per annum (2005: 7.4% per annum) and their carrying amounts approximate to their fair values.

23. LOANS AND RECEIVABLES

	Group	
	2006 HK\$'000	2005 HK\$'000 (Restated)
Loans receivable	369,158	218,545
Credit linked notes	77,993	155,973
Statutory deposits	362	245
Short term receivable	—	60,000
Portion classified as current assets	447,513 (132,394)	434,763 (336,383)
Portion classified as non-current assets	315,119	98,380

- (a) The short term receivable represents the proceeds from the disposal of a subsidiary, in the form of cash or residential and rental floor space, which was settled in 2006.
- (b) The loans receivable bear interest at floating interest rates ranging from 6% to 11% per annum (2005: 5.75% to 9.75% per annum). Credit linked notes bear interest at a fixed interest rate of 4.7% per annum (2005: at rates ranging from 3.8% to 4.7% per annum) and are receivable in 2008. The statutory deposits and short term receivable are non interest-bearing.
- (c) The carrying amounts of the Group's loans and receivables approximate to their fair values.

24. INVENTORIES

	Group	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Restated)
Motor vehicles and spare parts	1,781,476	1,633,744
Heavy equipment and spare parts	1,005,012	579,546
Others	—	680
	<u>2,786,488</u>	<u>2,213,970</u>

25. PROPERTIES HELD FOR SALE

	Group	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Properties held for sale, at cost	<u>840,215</u>	<u>1,217,145</u>

Details of the properties held for sale are as follows:

Location	Use	Group's interest	Gross floor area	Stage of completion
Starcrest, Phases I and II, A3 Residential Area, Wangjing New City, Chaoyang District, Beijing, PRC	Residential/ Parking spaces	95%	250,834 m ²	Completed
Lots A and B, 1319, Yan An Xi Road, Changning District, Shanghai, PRC	Residential/ Parking spaces	100%	4,447 m ²	Completed

Certain properties held for sale with an aggregate carrying value of approximately HK\$90,844,000 (2005: HK\$87,822,000) are subject to deferred sales contracts, pursuant to which the buyers are required to purchase the properties at agreed prices within three years from the respective contract dates. Down payments received from the buyers in the current year are included in the “Sundry payables and accruals” account. Sales will be recognised when the significant risks and rewards of ownership to the properties have been transferred to the buyers.

26. TRADE RECEIVABLES

The Group has granted credit to substantially all its debtors ranging from 30-60 days. Due to certain trade patterns, a minority of debtors have been given a credit period of 90-150 days. The Group seeks to maintain strict control over its outstanding receivables and has credit control to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non interest-bearing.

An aged analysis of the trade receivables as at the balance sheet date, based on the payment due date and net of provisions, is as follows:

	Group	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Restated)
Current	613,089	412,768
0 – 3 months	230,735	191,232
4 – 6 months	8,154	3,767
7 – 12 months	2,720	1,628
Over 1 year	1,061	82
	<u>855,759</u>	<u>609,477</u>

27. BILLS RECEIVABLE WITH FULL RECOURSE/BILLS DISCOUNTED WITH FULL RECOURSE

Bills receivable with full recourse are not yet overdue and non interest-bearing. Bills discounted with full recourse are repayable within one year and bear interest at an average floating interest rate of 5.83% per annum (2005: 4.5% per annum). Their carrying amounts approximate to their fair values.

28. PREPAYMENTS, DEPOSITS AND SUNDRY RECEIVABLES

	Group		Company	
	2006	2005	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Restated)		
Prepayments and deposits	627,748	655,763	–	596
Sundry debtors	<u>426,187</u>	<u>296,018</u>	<u>3,744</u>	<u>1,825</u>
	<u>1,053,935</u>	<u>951,781</u>	<u>3,744</u>	<u>2,421</u>

29. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Listed equity investments, at market value:		
Hong Kong	28,207	110,486
Overseas	<u>–</u>	<u>15,884</u>
	<u>28,207</u>	<u>126,370</u>

The above equity investments at 31 December 2005 and 2006 were classified as held for trading.

30. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

	Group		Company	
	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i> (Restated)	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Cash and bank balances	1,121,078	1,052,191	93	93
Time deposits	291,095	272,077	121,931	39,708
	1,412,173	1,324,268	122,024	39,801
Less: Pledged deposits for securing payments to a main contractor	(28,897)	(23,883)	–	–
Cash and cash equivalents	<u>1,383,276</u>	<u>1,300,385</u>	<u>122,024</u>	<u>39,801</u>

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The carrying amounts of the cash and cash equivalents and the pledged deposits approximate to their fair values.

The Group maintains trust accounts with an authorised institution in respect of clients' monies arising from the course of securities and finance businesses. As at 31 December 2006, clients' monies amounting to HK\$11,868,000 (2005: HK\$3,912,000) was held by the Group on behalf of customers in the trust accounts and the clients' monies was not included in the balances of cash and cash equivalents and pledged time deposits.

31. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the balance sheet date, based on the payment due date, is as follows:

	Group	
	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i> (Restated)
Current	1,517,970	1,384,780
0 – 3 months	305,029	70,710
4 – 6 months	69,577	8,879
7 – 12 months	–	19,353
	<u>1,892,576</u>	<u>1,483,722</u>

Included in the trade and bills payables are trade payables of HK\$668,071,000 (2005: Nil) due to associates which are repayable within 15 days, which represents similar credit terms to those offered by the associates to their major customers. The trade payables are non interest-bearing and are normally settled on 60-day terms.

32. SUNDRY PAYABLES AND ACCRUALS

	Group		Company	
	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i> (Restated)	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Accruals	438,481	393,693	7,137	1,152
Deposits received	1,179,767	1,218,460	–	–
Sundry payables	246,934	155,460	96	6
	<u>1,865,182</u>	<u>1,767,613</u>	<u>7,233</u>	<u>1,158</u>

Sundry payables are non interest-bearing and have an average term of three months.

33. DERIVATIVE FINANCIAL INSTRUMENTS

Group

	Liabilities	
	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Cross currency interest rate swaps	43,178	31,224
Portion classified as non-current	<u>(41,575)</u>	<u>(15,177)</u>
Current portion	<u>1,603</u>	<u>16,047</u>

The carrying amounts of the cross currency interest rate swaps are the same as their fair values.

Fair value hedge

At 31 December 2006, the Group had cross currency interest rate swap agreements in place with an aggregate notional amount of HK\$311,140,000 (2005: HK\$387,755,000). The swap agreements are used to hedge the exposure to changes in the fair value of certain of the Group's bank loans with interest rates of 4.7% and LIBOR plus 0.8%, at the aggregate fair value of HK\$311,140,000 (2005: HK\$387,755,000). Under the swap agreements, the Group receives interest at fixed rates of 4.7%, and LIBOR plus 0.8%, and pays variable rates at the Korean certificate of deposit ("CD") rate plus 0.85% and the CD rate plus 0.9% on the notional amount. The secured debts and cross currency interest rate swap agreements have the same critical terms. These hedges of the cross currency interest rate swaps were assessed to be effective.

34. INTEREST-BEARING BANK BORROWINGS AND OTHER NON INTEREST-BEARING BORROWING

	Average interest rate per annum %	Group 2006 HK\$ '000	2005 HK\$ '000 (Restated)
Current			
Bank overdrafts – unsecured	5.58	237,277	9,237
Bank loans – unsecured*	5.26	1,323,117	813,421
Trust receipt loans	5.67	576,129	1,111,094
Other loan – unsecured	–	93,312	–
		<u>2,229,835</u>	<u>1,933,752</u>
Non-current			
Bank loans – unsecured*	5.26	<u>1,371,073</u>	<u>963,268</u>
		<u>3,600,908</u>	<u>2,897,020</u>

* Includes the effects of the related cross currency interest rate swaps as further detailed in note 33 to the financial statements.

	Average interest rate per annum %	Company 2006 HK\$ '000	2005 HK\$ '000
Current			
Bank loans – unsecured	6.43	83,619	27,143
Other loan – unsecured	–	93,312	–
		<u>176,931</u>	<u>27,143</u>
Non-current			
Bank loans – unsecured	6.43	<u>735,068</u>	<u>234,592</u>
		<u>911,999</u>	<u>261,735</u>

	Group		Company	
	2006	2005	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Restated)		
Analysed into:				
Bank overdrafts repayable within one year or on demand	237,277	9,237	–	–
Bank loans repayable:				
Within one year or on demand	1,323,117	813,421	83,619	27,143
In the second year	601,002	131,685	140,013	36,837
In the third to fifth years, inclusive	770,071	761,787	595,055	162,857
Beyond five years	–	69,796	–	34,898
	2,694,190	1,776,689	818,687	261,735
Other loan repayable on demand	93,312	–	93,312	–
Trust receipt loans repayable within one year	576,129	1,111,094	–	–
	3,600,908	2,897,020	911,999	261,735
Portion classified as current liabilities	(2,229,835)	(1,933,752)	(176,931)	(27,143)
Long term portion – unsecured	1,371,073	963,268	735,068	234,592

Notes:

- (a) At 31 December 2006, the Group's and the Company's other loan was advanced by a major shareholder. This loan is unsecured, interest-free and is repayable on demand.
- (b) Except for bank loans with an aggregate carrying value of approximately HK\$77,685,000 (2005: HK\$311,975,000), which bear interest at fixed rates, all borrowings of the Group and the Company bear interest at floating interest rates.
- (c) Except for certain bank loans which are denominated in United States dollars, all interest-bearing bank borrowings and other non interest-bearing borrowing are denominated in the functional currency of the entity to which they related.
- (d) The carrying amounts of the Group's and the Company's borrowings approximate to their fair values.

35. PROVISIONS

Group

	Product warranties <i>HK\$'000</i>	Long service payments <i>HK\$'000</i>	Total <i>HK\$000</i>
At 1 January 2006	30,128	15,283	45,411
Exchange adjustment	2,738	—	2,738
Provided during the year (<i>note 5</i>)	9,957	7,804	17,761
Amounts utilised during the year	(4,179)	(15,273)	(19,452)
	<u>38,644</u>	<u>7,814</u>	<u>46,458</u>
At 31 December 2006	<u>38,644</u>	<u>7,814</u>	<u>46,458</u>

The Group provides warranties to its customers on certain of its motor vehicles within the free warranty period. The amount of the provision for the warranties is estimated based on sales volumes and past experience of the level of repairs. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

36. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year were as follows:

Group

Deferred tax liabilities

	Fair value adjustments arising from acquisitions of subsidiaries		Unremitted earnings		Revaluation of properties		Others		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January	141,643	149,418	50,612	46,326	813	834	3,589	2,627	196,657	199,205
Deferred tax charged/(credited) to the income statement during the year (<i>note 9</i>)	(13,102)	(7,775)	24,521	4,286	(21)	(21)	1,207	962	12,605	(2,548)
Gross deferred tax liabilities at 31 December	<u>128,541</u>	<u>141,643</u>	<u>75,133</u>	<u>50,612</u>	<u>792</u>	<u>813</u>	<u>4,796</u>	<u>3,589</u>	<u>209,262</u>	<u>196,657</u>

Deferred tax assets

	Losses available for offset against future taxable profits		Provision		Others		Total	
	2006	2005	2006	2005	2006	2005	2006	2005
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
At 1 January	11,132	12,727	9,987	11,999	–	8,336	21,119	33,062
Deferred tax credited/(charged) to the income statement during the year (<i>note 9</i>)	1,546	(1,595)	6,640	(2,333)	–	(8,558)	8,186	(12,486)
Exchange differences	–	–	908	321	–	222	908	543
Gross deferred tax assets at 31 December	<u>12,678</u>	<u>11,132</u>	<u>17,535</u>	<u>9,987</u>	<u>–</u>	<u>–</u>	<u>30,213</u>	<u>21,119</u>

The Group has tax losses arising in Hong Kong of HK\$80,703,000 (2005: HK\$49,434,000) that are available indefinitely, and in Mainland China of HK\$42,129,000 (2005: HK\$52,089,000) that are available for a maximum of five years for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets arising in Hong Kong and Mainland China have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

There are no income tax consequences attaching to the payment of dividends by the Company to its Shareholders.

37. SHARE CAPITAL**Shares**

	2006 HK\$ '000	2005 HK\$ '000
Authorised:		
2,000,000,000 ordinary shares of HK\$1 each	<u>2,000,000</u>	<u>2,000,000</u>
Issued and fully paid:		
1,060,588,288 (2005: 1,060,519,774) ordinary shares of HK\$1 each	<u>1,060,588</u>	<u>1,060,520</u>

During the period from 1 January 2006 to 19 June 2006, 68,514 ordinary shares of HK\$1 each were issued for cash at an exercise price of HK\$3 per share pursuant to the exercise of the Company's warrants for a total cash consideration, before expenses, of HK\$205,542. The warrant subscription reserve of HK\$34,257 attaching to the exercised warrants was reclassified into the share premium account accordingly.

During the year ended 31 December 2005, 11,000,000 ordinary shares of HK\$1 each were issued for cash at an exercise price of HK\$3 per share pursuant to the exercise of the Company's warrants for a total cash consideration, before expenses, of HK\$33,000,000. The warrant subscription reserve of HK\$5,500,000 attaching to the exercised warrants was reclassified into the share premium account accordingly.

A summary of the transactions during the year with reference to the above movements in the Company's issued ordinary share capital is as follows:

	Number of shares in issue	Issued capital <i>HK\$ '000</i>	Share premium account <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
At 1 January 2005	1,049,519,774	1,049,520	2,705,398	3,754,918
Warrants exercised	<u>11,000,000</u>	<u>11,000</u>	<u>27,500</u>	<u>38,500</u>
At 31 December 2005 and 1 January 2006	1,060,519,774	1,060,520	2,732,898	3,793,418
Warrants exercised	<u>68,514</u>	<u>68</u>	<u>171</u>	<u>239</u>
At 31 December 2006	<u>1,060,588,288</u>	<u>1,060,588</u>	<u>2,733,069</u>	<u>3,793,657</u>

Share options

Details of the Company's Option Scheme and the Options issued under the scheme are included in note 38 to the financial statements.

Warrants

A rights issue of warrants at an initial subscription price of HK\$0.5 per warrant was made in the proportion of one warrant for every five shares held by members on the register of members on 28 May 2001, resulting in 190,233,000 warrants being issued. Each warrant entitles the holder thereof to subscribe for one Share at an initial exercise price of HK\$3 per Share, payable in cash and subject to adjustment, at any time from 19 June 2001 to 19 June 2006. In accordance with the terms and conditions of the instrument constituting the warrants dated 25 May 2001, the subscription rights attaching to the warrants expired at 4:00 p.m. of 19 June 2006. The listing of the Company's warrants on the Stock Exchange was also withdrawn after 4:00 p.m. of 19 June 2006. The warrant subscription reserve of HK\$36,937,000 attaching to the unexercised warrants was reclassified into retained profits accordingly.

During the period from 1 January 2006 to 19 June 2006, 68,514 warrants were exercised for 68,514 Shares at a price of HK\$3 per Share.

38. OPTION SCHEME

The Company operated an Option Scheme for the purpose of providing incentives and rewards to eligible participants. Eligible participants of the Option Scheme include the employees and Directors (excluding non-executive Directors) of the Company and any of its subsidiaries. The Option Scheme became effective on 25 June 1997 and lapsed on 24 June 2002. All share Options granted prior to the expiration of the Option Scheme remain in full force and effect.

The maximum number of Shares in respect of which Options may be granted under the Option Scheme was not permitted to exceed 5% of the issued share capital of the Company from time to time. The maximum number of Shares issuable under Options to each eligible participant in the Option Scheme was not permitted to exceed 25% of the maximum aggregate number of Shares in respect of the Options granted under the Option Scheme.

The offer of a grant of Options could be accepted from the date of the offer upon payment of HK\$1, being the nominal consideration for the grant of an Option. The granted Options may be exercised at any time during the period of eight years from the second anniversary of the date on which the Option is deemed to be granted and accepted by the holders in accordance with the provisions of the Option Scheme.

The exercise price of the Options is the higher of 80% of the average of the closing prices on the Stock Exchange for the five trading days immediately preceding the date of the offer of the Option and the nominal value of the Shares.

Options do not confer rights on the holders to receive dividends or to vote at Shareholders' meetings.

The following Options were outstanding under the Option Scheme during the year:

Name or category of participant	Number of options			Date of grant of Options	Exercise period of Options	Exercise price of Options <i>HK\$ per share</i>	Price of the Company's Shares at grant date of Options <i>HK\$ per share</i>
	At 1 January 2006	Reclassified/ (lapsed) during the year	At 31 December 2006				
Directors							
Gan Khian Seng	500,000	–	500,000	2-8-1997	1-9-1999 to 31-8-2007	5.89	7.75
	200,000	–	200,000	24-1-1998	31-1-2000 to 30-1-2008	6.00	7.45
Yong Foo San, <i>JP</i>	500,000	–	500,000	2-8-1997	21-8-1999 to 20-8-2007	5.89	7.75
	200,000	–	200,000	24-1-1998	27-1-2000 to 26-1-2008	6.00	7.45
Volker Josef ECKEHARD Harms (<i>Note 1</i>)	500,000	(500,000)	–	2-8-1997	2-8-1999 to 1-8-2007	5.89	7.75
	200,000	(200,000)	–	24-1-1998	24-1-2000 to 23-1-2008	6.00	7.45
Lim Mooi Ying, Marianne	500,000	–	500,000	2-8-1997	2-8-1999 to 1-8-2007	5.89	7.75
	200,000	–	200,000	24-1-1998	27-1-2000 to 26-1-2008	6.00	7.45
Poh Yeow Kim Lawrence (<i>Note 2</i>)	100,000	(100,000)	–	24-1-1998	9-2-2000 to 8-2-2008	6.00	7.45
	<u>2,900,000</u>	<u>(800,000)</u>	<u>2,100,000</u>				
Other employees in aggregate	3,085,000	–	3,085,000	2-8-1997	(<i>Note 3</i>)	5.89	7.75
	<u>2,036,000</u>	<u>100,000</u>	<u>2,136,000</u>	24-1-1998	(<i>Note 3</i>)	6.00	7.45
	<u>5,121,000</u>	<u>100,000</u>	<u>5,221,000</u>				
	<u><u>8,021,000</u></u>	<u><u>(700,000)</u></u>	<u><u>7,321,000</u></u>				

Notes:

1. Mr. Volker Josef ECKEHARD Harms resigned as executive Director of the Company on 19 April 2006. Mr. Harms ceased to be an employee of the Company on 1 July 2006 and the said 700,000 Options were cancelled in December 2006 in accordance with the provisions of the Scheme.
2. Mr. Poh Yeow Kim Lawrence resigned as executive Director of the Company on 19 April 2006. Mr. Poh remains as an employee of the Company.
3. The granted Options may be exercised at any time during the period of eight years from the second anniversary of the date on which the Options are deemed to be granted and accepted by the holders in accordance with the provisions of the Option Scheme.

At the balance sheet date, the Company had 7,321,000 Options outstanding under the Scheme, which represented approximately 0.69% of the Shares in issue as at that date. The exercise in full of the remaining Options would, under the present capital structure of the Company, result in the issue of 7,321,000 additional Shares and an additional share capital of HK\$7,321,000 and share premium of HK\$36,100,650 before the related share issue expenses.

In accordance with the terms and conditions of the instrument constituting the Scheme dated 25 June 1997, 4,585,000 Options granted on 2 August 1997 will lapse in August 2007.

39. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 51 to 52 of this document.

Pursuant to the respective laws and regulations for Sino-foreign joint venture enterprises and Korea and Taiwan incorporated companies, a portion of the profits of subsidiaries and associates of the Group in the PRC, Korea and Taiwan has been transferred to reserve funds.

Certain amounts of goodwill arising on the acquisitions of subsidiaries in prior years remain eliminated against consolidated reserves, as explained in note 17 to the financial statements.

(b) Company

	<i>Notes</i>	Share premium account <i>HK\$'000</i>	Warrant subscription reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2005		2,705,398	42,471	604,292	3,352,161
Exercise of warrants	37	27,500	(5,500)	–	22,000
Profit for the year		–	–	17,508	17,508
Proposed 2005 final dividend	11	–	–	(31,816)	(31,816)
At 31 December 2005 and 1 January 2006		2,732,898	36,971	589,984	3,359,853
Exercise of warrants	37	171	(34)	–	137
Expiry of warrants	37	–	(36,937)	36,937	–
Loss for the year		–	–	(70)	(70)
Proposed 2006 final dividend	11	–	–	(31,818)	(31,818)
At 31 December 2006		<u>2,733,069</u>	<u>–</u>	<u>595,033</u>	<u>3,328,102</u>

40. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Purchases of additional interests in subsidiaries during the year

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Purchases of additional interests in subsidiaries, previously accounted for as minority interests	97,678	14,638
Goodwill on acquisition (<i>note 17</i>)	37,671	2,911
	<u>135,349</u>	<u>17,549</u>
Satisfied by:		
Cash	<u>135,349</u>	<u>17,549</u>

An analysis of the net outflow of cash and cash equivalents in respect of the purchases of additional interests in subsidiaries during the year is as follows:

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Net outflow of cash and cash equivalents in respect of the purchases of additional interests in subsidiaries	<u>135,349</u>	<u>17,549</u>

(b) Purchases of additional interests in associates during the year

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Purchases of additional interests in associates	<u>6,751</u>	<u>—</u>
Satisfied by:		
Cash	<u>6,751</u>	<u>—</u>

An analysis of the net outflow of cash and cash equivalents in respect of the purchases of additional interests in associates during the year is as follows:

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Net outflow of cash and cash equivalents in respect of the purchases of additional interests in associates	<u>6,751</u>	<u>—</u>

(c) Disposal of a subsidiary during the year

		2006	2005
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net assets disposed of:			
Property, plant and equipment	13	1,313	—
Trade receivables, prepayments and deposits		3,864	—
Inventories		1,157	—
Cash and bank balances		13,172	—
Trade payables, sundry payables and accruals		(1,798)	—
Interest-bearing bank borrowings		(11,929)	—
Tax payable		(2,679)	—
		<u>3,100</u>	<u>—</u>
Satisfied by:			
Cash		1,550	—
Interest in an associate		<u>1,550</u>	<u>—</u>
		<u>3,100</u>	<u>—</u>

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash received	1,550	—
Cash and bank balances disposed of	<u>(13,172)</u>	<u>—</u>
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	<u>(11,622)</u>	<u>—</u>

41. CONTINGENT LIABILITIES

At the balance sheet date, the Group had contingent liabilities in respect of performance guarantees given to banks for certain customers amounting to HK\$120,640,000 (2005: HK\$30,614,000).

At the balance sheet date, the Company had contingent liabilities relating to guarantees given to banks to secure general banking facilities granted to subsidiaries amounting to HK\$7,048,950,000 (2005: HK\$8,029,567,000), where general banking facilities utilised by subsidiaries amounting to HK\$2,245,126,000 (2005: HK\$4,362,864,000).

42. OPERATING LEASE ARRANGEMENTS**(a) As lessor**

The Group leases its investment properties (note 14 to the financial statements) under operating lease arrangements. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rental adjustments according to the then prevailing market conditions.

At 31 December 2006, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Restated)
Within one year	28,507	19,035
In the second to fifth years, inclusive	57,216	27,928
	<u>85,723</u>	<u>46,963</u>

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements. At 31 December 2006, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Restated)
Within one year	56,902	49,143
In the second to fifth years, inclusive	122,402	84,721
Beyond five years	89,319	96,764
	<u>268,623</u>	<u>230,628</u>

43. COMMITMENTS

In addition to the operating lease commitments detailed in note 42(b) above, the Group had the following capital commitments at the balance sheet date:

	Group	
	2006	2005
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
		(Restated)
Contracted, but not provided for:		
Properties under development	450,062	227,376
Construction in progress	44,248	64,190
Leasehold improvements	—	4,161
Furniture, fixtures and equipment	407	3,088
Capital contributions payable to subsidiaries	601,396	167,184
	<u>1,096,113</u>	<u>465,999</u>
Authorised, but not contracted for:		
Construction in progress	133,405	45,937
Leasehold improvements	—	3,742
Furniture, fixtures and equipment	9,120	13,999
	<u>142,525</u>	<u>63,678</u>
Total capital commitments	<u><u>1,238,638</u></u>	<u><u>529,677</u></u>

44. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:
- (i) In the prior year, the Group was appointed as an agent of Mercedes-Benz (China) Limited (“MBCL”), an associate of the Group, to provide it with trade finance services for service income based on approximately 2% of the transaction value. Service revenue was recorded by the Group of HK\$34,790,000 (2005: Nil) during the year. The balance owing from MBCL was HK\$135,499,000 (2005: HK\$127,703,000) which is unsecured, interest-free and is repayable on similar credit terms to those offered to the major customers of the Group.
- (ii) The purchases from certain associates of the Group of HK\$7,698,149,000 (2005: Nil) were made according to the published prices and conditions offered by the associates to their major customers.
- (b) Except for the balance owing from MBCL detailed in note 44(a)(i) above which are included in “Prepayments, deposits and sundry receivables”, details of the Group’s amounts due from/to its associates as at the balance sheet date are included in note 20 to the financial statements.
- (c) Details of the Group’s trade balances with its associates as at the balance sheet date are disclosed in note 31 to the financial statements.

(d) Compensation of key management personnel of the Group (excluding Directors' emoluments):

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Short term employee benefits	19,299	17,440
Post-employment benefits	890	816
	<hr/>	<hr/>
Total compensation paid to key management personnel	<u>20,189</u>	<u>18,256</u>

Further details of Directors' emoluments are included in note 7 to the financial statements.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank loans and overdrafts, other non interest-bearing loans, and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group also enters into derivative transactions, including principally cross currency interest rate swaps contracts. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are liquidity risk, credit risk and foreign currency risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Liquidity risk

Liquidity risk is the risk of not having access to sufficient funds to meet the Group's obligations as they become due. The Group's funding for treasury activities are monitored by a Central Treasury at the corporate level. Its objective is to maintain a balance between the continuity of funding and the flexibility through the use of bank loans. Banking facilities have therefore been put in place for contingency purposes.

Credit risk

Credit risk is the risk of economic loss resulting from the failure of one of the Group's customers to make payment when due or in the case of equity investments, the loss in value resulting from a corporate failure. The Group mitigates credit risk by formulating detailed credit policies, performing credit analysis on potential customers and where applicable, establishing risk sharing arrangements with other partners.

Foreign currency risk

Foreign currency risk is the risk of incurring a loss in the value of a financial instrument or a loss in the Group's investments as a result of changes in foreign currency exchange rates. The Group manages its foreign currency trading risk with trading policies and close monitoring of adherence to such policies. The Group has significant investments in the PRC and its balance sheet, including a portion of its bank loans denominated in US\$, can be affected by movements in the RMB/HK\$ and RMB/US\$ exchange rates. As both the HK\$ and RMB are pegged to the US\$, the Group does not expect significant movements in the exchange rates.

46. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

- (a) the "Trading of motor vehicles and spare parts and provision of after-sales services" segment operates dealerships of Mercedes-Benz passenger cars and engages in the after-sales services in the Northern and Eastern regions of the PRC, Korea and Vietnam;
- (b) the "Trading of heavy equipment and provision of product support services" segment handles the distribution of Caterpillar heavy equipment and the related product support services in the Eastern region of the PRC and Taiwan;
- (c) the "Property development and investment" segment engages in property development and real estate management of the Group's property portfolio in the PRC;
- (d) the "General trading" segment engages in the trading of commodity-based products, fertilisers and watch components;
- (e) the "Securities broking and trading" segment engages in the provision of securities broking services and the trading in listed equity investments in Hong Kong and overseas;
- (f) the "Trading of foreign exchange" segment engages in foreign exchange investments;
- (g) the "Money lending" segment engages in the provision of loan finance; and
- (h) the "Others" segment comprises the Group's other businesses, together with corporate income and expense items.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Intersegment sales and transfers are transacted by reference to the selling prices used for sales made to third parties at the then prevailing market prices.

47. SUBSIDIARIES

Particulars of the principal subsidiaries are as follows:

Name	Business structure	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered share capital	Percentage of equity attributable to the Company 2006 2005		Principal activities
Lei Shing Hong Automobile Limited [#]	Corporate	Hong Kong	HK\$2,200,000,000	100	100	Investment holding
Sino Motors Company Limited	Corporate	Hong Kong	HK\$3,000,000	100	100	Investment holding
Mandarin Star Holding Limited	Corporate	Hong Kong	HK\$20,000,000	100	100	Investment holding
Eastern Star Automobile Limited	Corporate	Hong Kong	HK\$10,000	100	100	Trading of motor vehicles
Shanghai Eastern Star Automobile Trading Company Limited	WFOE ⁺	Mainland China	US\$4,460,000	100	100	Trading of motor vehicles
Shanghai Star Automobile Service Company Limited	WFOE ⁺	Mainland China	US\$3,600,000	100	100	Motor vehicle repairs and maintenance
Xiamen Airport Star Automobile Repair Centre Limited [*]	Sino-foreign joint venture enterprise	Mainland China	RMB12,500,000	60	60	Motor vehicle repairs and maintenance
Pasture Developments Limited	Corporate	British Virgin Islands [@]	US\$100	100	100	Investment holding
Glory Sheen Investment Limited [*]	Corporate	Hong Kong	HK\$10,000	100	100	Investment holding
Big Dragon Limited	Corporate	British Virgin Islands [@]	HK\$10,000	100	100	Investment holding
Han Sung Investment Limited (formerly Han Sung Motor Company Limited)	Corporate	Korea	WON7,550,000,000	100	100	Investment holding and trading of motor vehicles
Asia Pacific Star Limited	Corporate	British Virgin Islands [@]	US\$1	100	100	Investment holding

APPENDIX I	FINANCIAL INFORMATION RELATING TO THE GROUP					
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Name	Business structure	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered share capital	Percentage of equity attributable to the Company 20062005		Principal activities
Vietnam Star Automobile Limited	Corporate	Vietnam	US\$6,000,000	100	100	Trading of motor vehicles
Beijing Star Automobile Service Company Limited*	Sino-foreign joint venture enterprise	Mainland China	US\$10,000,000	80	80	Motor vehicle repairs and maintenance
Jinan Star Automobile Repair and Service Company Limited*	WFOE ⁺	Mainland China	US\$5,000,000	100	60	Motor vehicle repairs and maintenance
Dalian Star Automobile Service Company Limited*	Sino-foreign joint venture enterprise	Mainland China	US\$5,000,000	63	63	Motor vehicle repairs and maintenance
Qingdao Star Automobile Service Company Limited*	WFOE ⁺	Mainland China	US\$1,650,000	100	60	Motor vehicle repairs and maintenance
Shanghai Star Trading Company Limited	Limited company	Mainland China	RMB5,000,000	100	100	Trading of motor vehicles
Beijing Bei Xing Hang Automobile Sales Centre	Co-operative partnership	Mainland China	RMB10,000,000	100	100	Trading of motor vehicles
Northern Star Automobile (Hong Kong) Limited	Corporate	Hong Kong	HK\$1,000	84	59	Trading of motor vehicles
Northern Star (Tianjin) Automobile Limited*	Sino-foreign joint venture enterprise	Mainland China	US\$30,000,000	84	59	Trading of motor vehicles
Lei Shing Hong (Singapore) Pte Limited ^{*/#}	Corporate	Singapore	S\$7,000,000	100	100	General trading

APPENDIX I	FINANCIAL INFORMATION RELATING TO THE GROUP					
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Name	Business structure	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered share capital	Percentage of equity attributable to the Company 2006 2005		Principal activities
Lei Shing Hong Machinery Limited [#]	Corporate	Hong Kong	HK\$100,000,000	100	100	Investment holding and trading of heavy equipment
Capital Machinery Limited	Corporate	Taiwan	NT\$200,000,000	100	100	Trading of heavy equipment
Lei Shing Hong Machinery (Kunshan) Company Limited	WFOE ⁺	Mainland China	US\$12,500,000	100	100	Provision of product support services of heavy equipment
Lei Shing Hong Machinery (Shanghai) Company Limited	WFOE ⁺	Mainland China	US\$500,000	100	100	Trading of heavy equipment
Lei Shing Hong Properties Limited [#]	Corporate	Hong Kong	HK\$1,000,000,000	100	100	Investment holding
Lei Shing Hong Properties (China) Limited	Corporate	Hong Kong	HK\$10,000	100	100	Investment holding
Shanghai Lee Kwok Property Limited [*]	WFOE ⁺	Mainland China	US\$12,000,000	100	100	Property development
Beijing Bao Xing Property Company Limited [*]	Sino-foreign joint venture enterprise	Mainland China	US\$12,000,000	95	95	Property development
Lei Sing Property Development (Shanghai) Limited [*]	Sino-foreign joint venture enterprise	Mainland China	US\$20,000,000	95	95	Property development
Lei Shing Hong Trading Limited [#]	Corporate	Hong Kong	HK\$10,000,000	100	100	Investment holding and general trading
Lei Shing Hong Wood Products Limited	Corporate	British Virgin Islands [@]	US\$2,000,000	100	100	Investment holding

Name	Business structure	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered share capital	Percentage of equity attributable to the Company 2006 2005		Principal activities
Lei Shing Hong Wood Products (Shanghai) Company Limited	WFOE ⁺	Mainland China	US\$1,000,000	100	100	General trading
Lei Shing Hong Capital Limited [#]	Corporate	Hong Kong	HK\$10,000	100	100	Investment holding
Lei Shing Hong Investment Limited	Corporate	Hong Kong	HK\$10,000	100	100	Share trading and investment and foreign exchange trading
Lei Shing Hong Securities Limited	Corporate	Hong Kong	HK\$100,000,000	100	100	Securities dealing
Lei Shing Hong Insurance Services Limited [*]	Corporate	Hong Kong	HK\$100,000	100	100	Insurance brokerage
Lei Shing Hong Finance Limited	Corporate	Hong Kong	HK\$55,000,000	100	100	Provision of financial services
Lei Shing Hong Credit Limited	Corporate	Hong Kong	HK\$50,000,000	100	100	Provision of financial services

* Audited by certified public accountants other than Ernst & Young

Directly held by the Company

@ The principal place of operations is Hong Kong

+ Wholly-foreign-owned enterprise (“WFOE”)

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

48. ASSOCIATES

Particulars of the Group's principal associates are as follows:

Name	Nominal value of issued ordinary share capital/registered share capital	Place of incorporation/ registration	Percentage of ownership interest to the Group		Principal activities
			2006	2005	
CMI Holdings Limited	NT\$3,500,000,000	Taiwan	34.9	34.9	Trading of motor vehicles
DaimlerChrysler Taiwan Limited ^{*/&}	NT\$1,715,000,000	Taiwan	17.8	17.8	Trading of motor vehicles
Shanghai Ben Chi Automobile Limited ^{*/#}	US\$3,500,000	Mainland China	55	55	Trading of motor vehicles
Shanghai Dong Chi Automobile Service Company Limited ^{*/#}	US\$2,300,000	Mainland China	55	55	Trading of motor vehicles
Mercedes-Benz Korea Limited [*]	WON3,000,000,000	Korea	49	49	Trading of motor vehicles
DaimlerChrysler Financial Services Korea Limited ^{*/@}	WON20,000,000,000	Korea	20	20	Provision of financial services
DaimlerChrysler Financial Services China Limited ^{*/@}	HK\$90,000,000	Hong Kong	20	20	Provision of financial services
Caterpillar Logistics Services China Limited [*]	HK\$10,000	Hong Kong	30	30	Provision of logistics services
Mercedes-Benz (China) Limited [*]	US\$60,000,000	Mainland China	49	49	Trading of motor vehicles

* Audited by certified public accountants other than Ernst & Young.

The interests in these companies have not been accounted for as interests in subsidiaries because the directors consider that the Group does not exercise unilateral control over the joint ventures' boards of directors.

& The interest in this company has been accounted for as an interest in an associate because the Group has significant influence over the company, the shareholding in which is held through a 34.9% associate.

@ The interest in this company has been accounted for as an interest in an associate because the Group has significant influence over the company, the shareholding in which is held through a wholly-owned subsidiary.

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

49. POST BALANCE SHEET EVENT

During the 5th Session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law (the "New Corporate Income Tax Law") was approved and will become effective on 1 January 2008. The New Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%. Since the detailed implementation and administrative rules and regulations have not yet been announced, the financial impact of the New Corporate Income Tax Law on the Group cannot be reasonably estimated at this stage.

50. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, due to the adoption of new and revised HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made and certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment.

In addition, in prior years, the Group's land appreciation tax levied on properties developed by the Group for sale, at progressive rates ranging from 30% to 50% on the appreciation of land value, was included in the cost of sales and services in the consolidated income statement. To conform with the current year's presentation, the Group's land appreciation tax of HK\$20,581,000 (2005: HK\$70,035,000) was presented as a component of the Group's total tax charge in the consolidated income statement.

51. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 19 April 2007.

3. UNAUDITED INTERIM RESULTS OF THE GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2007

The following information has been extracted from the unaudited condensed interim consolidated financial statements of the Group for the six months ended 30 June 2007, except that the definitions used in this document have been adopted in the below extract.

Condensed Consolidated Income Statement

For the six months ended 30 June 2007

		For the six months ended 30 June	
		2007	2006
	<i>Notes</i>	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
REVENUE	3	11,958,417	8,907,134
Cost of sales and services		<u>(10,800,417)</u>	<u>(7,899,006)</u>
Gross profit		1,158,000	1,008,128
Other income and gains		101,884	90,013
Selling and distribution costs		(207,047)	(151,362)
Administrative expenses		(454,888)	(379,449)
Other operating expenses		<u>(155,142)</u>	<u>(126,504)</u>
PROFIT FROM OPERATING ACTIVITIES		442,807	440,826
Finance costs	4	(119,361)	(95,243)
Share of profits and losses of associates		<u>306,098</u>	<u>(4,176)</u>
PROFIT BEFORE TAX	5	629,544	341,407
Tax	6	<u>(153,917)</u>	<u>(135,951)</u>
PROFIT FOR THE PERIOD		<u>475,627</u>	<u>205,456</u>
ATTRIBUTABLE TO:			
Equity holders of the parent		425,038	169,916
Minority interests		<u>50,589</u>	<u>35,540</u>
		<u>475,627</u>	<u>205,456</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic and diluted	7	<u>40.1 cents</u>	<u>16.0 cents</u>
DIVIDEND PER SHARE	8	<u>Nil</u>	<u>Nil</u>

Condensed Consolidated Balance Sheet*30 June 2007*

		30 June 2007 (Unaudited) <i>HK\$ '000</i>	31 December 2006 (Audited) <i>HK\$ '000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		1,981,791	1,683,104
Investment properties		644,971	654,354
Prepaid land premiums		279,908	237,937
Properties under development		1,472,138	1,219,666
Goodwill		682,383	702,654
Other intangible asset		1,650	1,650
Interests in associates		2,241,028	1,981,043
Available-for-sale investments		12,804	9,921
Deferred tax assets		17,744	30,213
Net investments in finance leases		23,747	23,512
Loans and receivables		271,110	315,119
		<u>7,629,274</u>	<u>6,859,173</u>
Total non-current assets			
CURRENT ASSETS			
Inventories	<i>9</i>	1,874,856	2,786,488
Properties held for sale	<i>10</i>	192,227	840,215
Trade receivables	<i>11</i>	1,630,700	855,759
Bills receivable with full recourse		80,332	26,545
Net investments in finance leases		50,207	15,649
Loans and receivables		299,471	132,394
Prepaid land premiums		3,858	6,569
Prepayments, deposits and sundry receivables		643,708	1,053,935
Equity investments at fair value through profit or loss		213,485	28,207
Pledged time deposits		26,911	28,897
Cash and cash equivalents		1,411,559	1,383,276
		<u>6,427,314</u>	<u>7,157,934</u>
Total current assets			

		30 June 2007 (Unaudited) HK\$ '000	31 December 2006 (Audited) HK\$ '000
	<i>Notes</i>		
CURRENT LIABILITIES			
Trade and bills payables	12	1,302,093	1,892,576
Sundry payables and accruals		1,240,768	1,865,182
Interest-bearing bank borrowings and other non interest-bearing borrowing		2,824,909	2,231,438
Bills discounted with full recourse		80,332	26,545
Tax payable		252,655	248,374
Provisions		49,785	46,458
		<u>5,750,542</u>	<u>6,310,573</u>
Total current liabilities			
		<u>676,772</u>	<u>847,361</u>
NET CURRENT ASSETS			
		<u>8,306,046</u>	<u>7,706,534</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		1,454,488	1,412,648
Deferred tax liabilities		186,713	209,262
		<u>1,641,201</u>	<u>1,621,910</u>
Total non-current liabilities			
		<u>6,664,845</u>	<u>6,084,624</u>
Net assets			
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	13	1,060,588	1,060,588
Reserves		5,226,412	4,679,022
Proposed final dividend		–	31,818
		<u>6,287,000</u>	<u>5,771,428</u>
Minority interests		<u>377,845</u>	<u>313,196</u>
Total equity		<u>6,664,845</u>	<u>6,084,624</u>

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2007

Reserves

	Attributable to equity holders of the parent										
	Ordinary share capital (Unaudited) HK\$ '000	Share premium account (Unaudited) HK\$ '000	Land and building revaluation reserve (Unaudited) HK\$ '000	Warrant subscription reserve (Unaudited) HK\$ '000	Reserve funds (Unaudited) HK\$ '000	Exchange fluctuation reserve (Unaudited) HK\$ '000	Retained profits (Unaudited) HK\$ '000	Proposed final dividend (Unaudited) HK\$ '000	Total (Unaudited) HK\$ '000	Minority interests (Unaudited) HK\$ '000	Total equity (Unaudited) HK\$ '000
At 1 January 2006	1,060,520	2,732,898	12,011	36,971	61,836	17,849	1,377,545	31,816	5,331,446	317,520	5,648,966
Exchange adjustments	–	–	–	–	–	81,092	–	–	81,092	1,582	82,674
Profit for the period	–	–	–	–	–	–	169,916	–	169,916	35,540	205,456
Total income and expense for the period	–	–	–	–	–	81,092	169,916	–	251,008	37,122	288,130
Additions to minority interests in investment in subsidiaries	–	–	–	–	–	–	–	–	–	4,112	4,112
Acquisition of minority interests	–	–	–	–	–	–	–	–	–	(64,010)	(64,010)
Advances from minority interests	–	–	–	–	–	–	–	–	–	22,426	22,426
2005 final dividend declared	–	–	–	–	–	–	–	(31,816)	(31,816)	–	(31,816)
Exercise of warrants	68	171	–	(34)	–	–	–	–	205	–	205
Expiry of warrants	–	–	–	(36,937)	–	–	36,937	–	–	–	–
Transfer from retained profits	–	–	–	–	1,519	–	(1,519)	–	–	–	–
At 30 June 2006	1,060,588	2,733,069*	12,011 ^{*/#}	–*	63,355*	98,941*	1,582,879*	–	5,550,843	317,170	5,868,013

	Attributable to equity holders of the parent										
	Ordinary share capital (Unaudited) HK\$ '000	Share premium account (Unaudited) HK\$ '000	Land and building revaluation reserve (Unaudited) HK\$ '000	Reserve funds (Unaudited) HK\$ '000	Exchange fluctuation reserve (Unaudited) HK\$ '000	Retained profits (Unaudited) HK\$ '000	Proposed final dividend (Unaudited) HK\$ '000	Total (Unaudited) HK\$ '000	Minority interests (Unaudited) HK\$ '000	Total equity (Unaudited) HK\$ '000	
At 1 January 2007	1,060,588	2,733,069	12,011	92,178	172,935	1,668,829	31,818	5,771,428	313,196	6,084,624	
Share of reserves of an associate	–	–	–	(805)	–	–	–	(805)	–	(805)	
Exchange adjustments	–	–	–	–	123,157	–	–	123,157	10,540	133,697	
Total income and expense for the period recognized directly in equity	–	–	–	(805)	123,157	–	–	122,352	10,540	132,892	
Profit for the period	–	–	–	–	–	425,038	–	425,038	50,589	475,627	
Total income and expense for the period	–	–	–	(805)	123,157	425,038	–	547,390	61,129	608,519	
Additions to minority interests in investment in subsidiaries	–	–	–	–	–	–	–	–	10,406	10,406	
Acquisition of minority interests	–	–	–	–	–	–	–	–	(6,886)	(6,886)	
Disposals of items of land and building	–	–	(1,528)	–	–	1,528	–	–	–	–	
2006 final dividend declared	–	–	–	–	–	–	(31,818)	(31,818)	–	(31,818)	
Transfer from retained profits	–	–	–	330	–	(330)	–	–	–	–	
At 30 June 2007	1,060,588	2,733,069*	10,483 ^{*/#}	91,703*	296,092*	2,095,065*	–	6,287,000	377,845	6,664,845	

* These reserve accounts comprise the consolidated reserves of HK\$5,226,412,000 (30 June 2006: HK\$4,490,255,000) in the condensed consolidated balance sheet.

The amount represented the land and building revaluation reserve of HK\$10,483,000 (30 June 2006: HK\$12,011,000), which was previously stated as the capital reserve, arising on the restatement to fair value of certain land and buildings at the date of acquisition of a further interest in an associate which became a subsidiary as a result of this acquisition taken place in the year ended 31 December 1998.

Condensed Consolidated Cash Flow Statement*For the six months ended 30 June 2007*

	For the six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
NET CASH INFLOW FROM OPERATING ACTIVITIES	24,682	1,299,101
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(521,650)	(688,535)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	<u>703,297</u>	<u>(368,906)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	206,329	241,660
Cash and cash equivalents at beginning of period	1,145,999	1,291,156
Effect of foreign exchange rate changes, net	<u>30,713</u>	<u>5,709</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>1,383,041</u></u>	<u><u>1,538,525</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	1,221,015	1,556,086
Non-pledged time deposits with original maturity of less than three months when acquired	190,544	33,445
Bank overdrafts	<u>(28,518)</u>	<u>(51,006)</u>
	<u><u>1,383,041</u></u>	<u><u>1,538,525</u></u>

Notes to Condensed Consolidated Interim Financial Statements

1. ACCOUNTING POLICIES

The condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 Interim Financial Reporting. The accounting policies and basis of preparation adopted in the preparation of the condensed consolidated interim financial statements are the same as those used in the audited financial statements for the year ended 31 December 2006, except in relation to the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”, which also include HKASs and Interpretations) that are applicable to the Group and are adopted for the first time for the current period’s condensed consolidated interim financial statements:

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 <i>Financial Reporting in Hyperinflationary Economies</i>
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The HKAS 1 Amendment will affect the disclosures about qualitative information about the Group’s objective, policies and processes for managing capital; quantitative data about what the Company regards as capital.

The HKFRS 7 requires disclosures that enable users of the financial statements to evaluate the significance of the Group’s financial instruments and the nature and extent of risks arising from those financial instruments and also incorporates major disclosure requirements of HKAS 32.

The HK(IFRIC)-Int 7 addresses requirements of HKAS 29 in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, when that economy was not hyperinflationary in the prior period, and requires an entity to restate its financial statements in accordance with HKAS 29.

The HK(IFRIC)-Int 8 addresses the application of HKFRS 2 to particular transactions in which the entity cannot identify specifically some or all of the goods or services received.

The HK(IFRIC)-Int 9 addresses the application of HKAS 39 that an entity shall assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract, and prohibits subsequent reassessment throughout the life of the contract except for exceptional circumstances.

The HK(IFRIC)-Int 10 addresses the interaction between the requirements of HKAS 34 and the recognition of impairment losses on goodwill in HKAS 36 and certain financial assets in HKAS 39 and that an entity shall not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost.

There was no material impact on the basis of preparation of the unaudited condensed consolidated balance sheet and condensed consolidated income statement arising from the above-mentioned accounting standards.

2. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRSS

The Group has not applied the following new and revised HKFRSs, herein collectively referred to as the new HKFRSs, that have been issued but are not yet effective, in these condensed consolidated interim financial statements.

HKAS 23 (Revised)	Borrowing Costs
HKFRS 8	Operating Segments
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements

The HKFRS 8 shall be applied for annual periods beginning on or after 1 January 2009. The standard supersedes HKAS 14 Segment Reporting under which segments were identified and reported on the basis of a risk and return analysis. Items were reported on the basis of the accounting policies used for external reporting. Under HKFRS 8, segments are components of an entity regularly reviewed by an entity's chief operating decision-maker or an authorised qualified staff of the entity. Items are reported based on internal reporting.

The HK(IFRIC)-Int 11, HK(IFRIC)-Int 12 and HKAS 23 (Revised) shall be applied for annual periods beginning on or after 1 March 2007, 1 January 2008 and 1 January 2009, respectively.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 8 may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3. SEGMENT INFORMATION

An analysis of the Group's revenue and results by principal activities is as follows:

	Revenue		Results	
	For the six months		For the six months	
	ended 30 June		ended 30 June	
	2007	2006	2007	2006
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trading of motor vehicles and spare parts and provision of after-sales services	8,017,087	6,217,946	371,291	336,390
Trading of heavy equipment and provision of product support services	1,993,929	1,490,857	71,256	56,577
Property development and investment	824,780	569,705	3,672	50,632
General trading	1,110,267	661,791	8,153	18,366
Securities broking and trading	27,212	31,525	7,820	(6,839)
Money lending	16,863	6,594	2,540	749
Others	57,912	42,477	(20,992)	(4,653)
	12,048,050	9,020,895	443,740	451,222
Intersegment eliminations	(89,633)	(113,761)	(933)	(10,396)
	<u>11,958,417</u>	<u>8,907,134</u>	<u>442,807</u>	<u>440,826</u>

An analysis of the Group's revenue by geographical area of operations is as follows:

	Revenue For the six months ended 30 June	
	2007 (Unaudited) HK\$ '000	2006 (Unaudited) HK\$ '000
PRC:		
Hong Kong	308,601	409,531
Mainland China	8,585,378	6,429,470
Other Asian regions	3,064,438	2,068,133
	<u>11,958,417</u>	<u>8,907,134</u>

4. FINANCE COSTS

	For the six months ended 30 June	
	2007 (Unaudited) HK\$ '000	2006 (Unaudited) HK\$ '000
Interest on borrowings wholly repayable within five years:		
Bank loans	50,723	58,433
Trust receipt loans	61,195	33,649
Bank overdrafts	7,443	3,161
	<u>119,361</u>	<u>95,243</u>

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2007 (Unaudited) HK\$ '000	2006 (Unaudited) HK\$ '000
Depreciation of property, plant and equipment	82,667	62,138
Depreciation of investment properties	4,882	2,920
Recognition of prepaid land premiums	3,324	3,187
Release of goodwill upon sales of developed properties*	20,261	12,804
Impairment of trade receivables	13,989	14,199
Write-down of inventories to net realisable value	7,333	571
Fair value losses/(gains) on equity investments at fair value through profit or loss, net	(69)	11,957
Dividend income from listed investments	(4,749)	(8,581)
Gain on disposal of items of property, plant and equipment	(26,018)	(67)
Net rental income	(20,172)	(17,123)
Interest income	(40,991)	(28,856)
Net gains on dealing in listed investments	<u>(13,155)</u>	<u>(15,968)</u>

* Goodwill arising on acquisitions of subsidiaries whose principal activity is property development is released by reference to the sales of the related developed properties. The amount was included in "Other operating expenses" on the face of the condensed consolidated income statement.

6. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	For the six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Income tax		
Current:		
Hong Kong	2,040	3,803
Elsewhere	149,262	139,675
Land appreciation tax	1,758	–
Deferred	857	(7,527)
	<u>153,917</u>	<u>135,951</u>
Total tax charge for the period	<u>153,917</u>	<u>135,951</u>

A reconciliation of the tax charge applicable to profit before tax using the statutory tax rate for the location in which the Company and the majority of its subsidiaries are domiciled to the tax charge at the Group's effective tax rate is as follows:

	For the six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Profit before tax	<u>629,544</u>	<u>341,407</u>
Tax charge at Hong Kong statutory tax rate	110,170	59,746
Tax effect arising from tax rate differences with overseas subsidiaries and associates	95,553	50,661
Tax effect of non taxable income	(6,138)	(3,299)
Tax effect of non deductible expenses	26,355	2,030
Utilisation of tax losses	(12,897)	(6,381)
Tax losses not recognised	15,342	8,377
Tax effect of profits and losses attributable to associates	(86,173)	731
Tax adjustments of timing differences, net	10,527	24,086
Land appreciation tax	1,758	–
Tax effect of land appreciation tax	(580)	–
	<u>153,917</u>	<u>135,951</u>
Tax charge at the Group's effective rate	<u>153,917</u>	<u>135,951</u>

The share of tax attributable to associates amounting to HK\$143,883,000 (2006: HK\$17,502,000) is included in "Share of profits and losses of associates" on the face of the condensed consolidated income statement.

7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculations of basic and diluted earnings per Share for the six months ended 30 June 2007 and 2006 are based on:

	For the six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Earnings		
Profit attributable to ordinary equity holders of the parent for the period, used in the basic and diluted earnings per Share calculations	425,038	169,916
	<u>425,038</u>	<u>169,916</u>
	Number of shares	
	2007	2006
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of Shares in issue during the period used in basic earnings per Share calculation	1,060,588,288	1,060,528,906
	<u>1,060,588,288</u>	<u>1,060,528,906</u>

As the subscription prices of the Options outstanding during the six months ended 30 June 2007 and 2006 were higher than the respective average market prices of the Shares during these periods, there was no dilution effect on the basic earnings per Share.

8. DIVIDEND

At a meeting of the Board held on 20 September 2007, the Directors resolved not to pay an interim dividend to Shareholders for the six months ended 30 June 2007 (2006: Nil).

9. INVENTORIES

	30 June 2007	31 December 2006
	(Unaudited)	(Audited)
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Motor vehicles and spare parts	1,177,170	1,781,476
Heavy equipment and spare parts	695,110	1,005,012
Others	2,576	–
	<u>1,874,856</u>	<u>2,786,488</u>

10. PROPERTIES HELD FOR SALE

	30 June 2007 (Unaudited) HK\$ '000	31 December 2006 (Audited) HK\$ '000
Properties held for sale, at cost	192,227	840,215

11. TRADE RECEIVABLES

The Group has granted credit to substantially all its debtors ranging from 30-60 days. Due to certain trade patterns, a minority of debtors have been given a credit period of 90-150 days. The Group seeks to maintain strict control over its outstanding receivables and has credit control to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non interest-bearing.

An aged analysis of trade receivables as at the balance sheet date, based on the payment due date and net of provisions, is as follows:

	30 June 2007 (Unaudited) HK\$ '000	31 December 2006 (Audited) HK\$ '000
Current	1,409,594	613,089
0 – 3 months	196,587	230,735
4 – 6 months	20,331	8,154
7 – 12 months	4,188	2,720
Over 1 year	–	1,061
	<u>1,630,700</u>	<u>855,759</u>

12. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the balance sheet date, based on the payment due date, is as follows:

	30 June 2007 (Unaudited) HK\$ '000	31 December 2006 (Audited) HK\$ '000
Current	1,192,339	1,517,970
0 – 3 months	55,680	305,029
4 – 6 months	54,074	69,577
	<u>1,302,093</u>	<u>1,892,576</u>

Included in the trade and bills payables are trade payables of HK\$639,465,000 (31 December 2006: HK\$668,071,000) due to associates which are repayable within 15 days, which represents similar credit terms to those offered by the associates to their major customers. The trade payables are non interest-bearing and are normally settled on 60-day terms.

13. SHARE CAPITAL

	30 June 2007 (Unaudited) HK\$ '000	31 December 2006 (Audited) HK\$ '000
Authorised:		
2,000,000,000 Shares	<u>2,000,000</u>	<u>2,000,000</u>
Issued and fully paid:		
1,060,588,288 (2006: 1,060,588,288) Shares	<u>1,060,588</u>	<u>1,060,588</u>

14. CONTINGENT LIABILITIES

At 30 June 2007, the Group had contingent liabilities in respect of performance guarantees given to banks for certain customers amounting to HK\$139,340,000 (31 December 2006: HK\$120,640,000).

15. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties under operating lease arrangements. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rental adjustments according to the then prevailing market conditions.

At 30 June 2007, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2007 (Unaudited) HK\$ '000	31 December 2006 (Audited) HK\$ '000
Within one year	51,904	28,507
In the second to fifth years, inclusive	<u>95,683</u>	<u>57,216</u>
	<u>147,587</u>	<u>85,723</u>

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements. At 30 June 2007, the Group had total future minimum payments under non-cancellable operating leases falling due as follows:

	30 June 2007 (Unaudited) HK\$ '000	31 December 2006 (Audited) HK\$ '000
Within one year	48,255	56,902
In the second to fifth years, inclusive	139,607	122,402
Beyond five years	<u>115,649</u>	<u>89,319</u>
	<u>303,511</u>	<u>268,623</u>

16. COMMITMENTS

In addition to the operating lease commitments detailed in note 15(b) above, the Group had the following capital commitments at the balance sheet date:

	30 June 2007 (Unaudited) HK\$ '000	31 December 2006 (Audited) HK\$ '000
Capital commitments:		
Contracted, but not provided for	1,000,187	1,096,113
Authorised, but not contracted for	<u>320,346</u>	<u>142,525</u>
	<u><u>1,320,533</u></u>	<u><u>1,238,638</u></u>

17. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions detailed elsewhere in these condensed consolidated interim financial statements, the Group had the following material transactions with related parties during the period:
- (i) In 2005, the Group was appointed as an agent of Mercedes-Benz (China) Limited ("MBCL"), an associate of the Group, to provide it with trade finance services for service income based on approximately 2% of the transaction value. In the prior period, service revenue was recorded by the Group of HK\$34,790,000 while no service revenue was recorded by the Group during the period. As at 31 December 2006, the balance owing from MBCL was HK\$135,499,000 which was unsecured, interest-free and was repayable on similar terms to those offered to the major customers of the Group. As at 30 June 2007, no balance owing from MBCL was recorded by the Group.
- (ii) The purchases from certain associates of the Group of HK\$6,525,078,000 (2006: Nil) were made according to the published prices and conditions offered by the associates to their major customers.
- (iii) Rental income received from an associate of the Group of HK\$9,338,000 (2006: Nil) was based on the market rate.
- (iv) Pre-delivery inspection contracted services income received from an associate of the Group of HK\$14,921,000 (2006: Nil) was based on the market rate.
- (b) Details of the Group's trade balances with its associates as at the balance sheet date are disclosed in note 12 to the condensed consolidated interim financial statements.
- (c) Compensation of key management personnel of the Group:

	For the six months ended 30 June 2007 (Unaudited) HK\$ '000	2006 (Unaudited) HK\$ '000
Short term employee benefits	14,928	12,389
Post-employment benefits	<u>266</u>	<u>756</u>
Total compensation paid to key management personnel	<u><u>15,194</u></u>	<u><u>13,145</u></u>

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank loans and overdrafts, other interest-bearing loans, and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group also enters into derivative transactions, including principally cross currency interest rate swaps contracts. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are liquidity risk, credit risk and foreign currency risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Liquidity risk

Liquidity risk is the risk of not having access to sufficient funds to meet the Group's obligation as they become due. The Group's funding for treasury activities are monitored by a Central Treasury at the corporate level. Its objective is to maintain a balance between the continuity of funding and the flexibility through the use of bank loans. Banking facilities have therefore been put in place for contingency purposes.

Credit risk

Credit risk is the risk of economic loss resulting from the failure of one of the Group's customers to make payment when due or in the case of equity investments, the loss in value resulting from a corporate failure. The Group mitigates credit risk by formulating detailed credit policies, performing credit analysis on potential customers and where applicable, establishing risk sharing arrangements with other partners.

Foreign currency risk

Foreign currency risk is the risk of incurring a loss in the value of a financial instrument or a loss in the Group's investments as a result of changes in foreign currency exchange rates. The Group manages its foreign currency trading risk with trading policies and close monitoring of adherence to such policies. The Group has significant investments in the People's Republic of China and its balance sheet, including a portion of its bank loans denominated in US\$, can be affected by movements in the RMB/HK\$ and RMB/US\$ exchange rates. As the HK\$ is pegged to the US\$, the Group does not expect significant movements in the exchange rates.

19. POST BALANCE SHEET EVENT

The Board published the Preliminary Announcement on 24 July 2007 regarding a possible privatisation of the Company. The Company received a letter dated 23 July 2007 (the "Letter") from a substantial Shareholder, Amerdale Investments, which has expressed an interest to put forward a privatisation proposal for the Company which if successful would lead to a withdrawal of the listing of the Shares on the Stock Exchange. In the Letter, Amerdale Investments has informed the Company that another substantial Shareholder, Victon Investment, has indicated an intention to join Amerdale Investments in making a possible privatisation proposal. There is no certainty that any offer will be made. The Company understands from the substantial Shareholders that, if made, a privatisation offer is likely to be made in the next four months from the date of the Preliminary Announcement. The Company will make further announcements regarding the privatisation proposal as and when appropriate or required by applicable rules and regulations.

20. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements were approved and authorised for issue by the Board on 20 September 2007.

4. STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSET VALUE

Set out below is a statement of the unaudited adjusted consolidated net tangible asset value of the Group based on the unaudited consolidated net assets of the Group as at 30 June 2007 and the purpose of which is for reference only:

	<i>HK\$ '000</i>
Consolidated net tangible asset value as at 30 June 2007	5,373,278
Adjustments:	
Net additions of net book values of properties during the period from 1 July 2007 to 31 October 2007	307,067
Net surplus arising from the valuations of property interests attributable to ordinary equity holders of the Company as at 31 October 2007 net of tax adjustments (<i>Notes 1 and 2</i>)	<u>578,195</u>
Adjusted consolidated net tangible asset value	<u><u>6,258,540</u></u>

Notes:

- Valuations for properties situated outside Hong Kong as expressed in local currencies are converted at the following rates, being the rates prevailing at the date of valuation.

Renminbi 1.00	=	HK\$1.0410
Korean Won 1.00	=	HK\$0.0088
New Taiwan Dollars 1.00	=	HK\$0.2395
Singapore Dollars 1.00	=	HK\$5.3678
Vietnamese Dong 1,000	=	HK\$0.4870

- For Hong Kong, the tax liabilities comprise profits tax at 17.5% for sales of property in Hong Kong which is held with intention for sale. For sales of land and property in PRC, the tax liabilities comprise business tax at 5%, town construction tax at 1% of the business tax, education addition fee at 3% of the business tax, land value added tax at progressive tax rates ranging from 30% to 60%, stamp duty at 0.05% and corporation income tax at 25%. There is less likelihood of crystallising this tax effect as the Group has no intention for immediate disposal of its land and property interests in PRC except for those properties which are held for sale under Property Division. On the other hand, potential tax liabilities attributable to the Group estimated to be HK\$310,705,000 would arise for the properties held respectively for use in the ordinary course of business and for sale.

For Korea, the tax liabilities comprise corporation income tax at progressive tax rates ranging from 14.3% to 27.5% for sales of land and property in Korea. Potential tax liabilities attributable to the Group estimated to be HK\$83,076,000 would arise for properties held for use in the ordinary course of business and held for sale.

For Taiwan, the tax liabilities comprise land value added tax at progressive tax rates ranging from 20% to 40% and profit-seeking enterprise income tax at 25% for sales of land and property in Taiwan. There is less likelihood of crystallising this tax effect as the Group has no intention for immediate disposal of its land and property interests in Taiwan. On the other hand, potential tax liabilities attributable to the Group estimated to be HK\$833,000 would arise for the properties held for use in the ordinary course of business.

For Singapore, the tax liabilities comprise corporation income tax at 20% for sales of land and property in Singapore which is held with intention for sale. There is less likelihood of crystallising this tax effect as the Group has no intention for immediate disposal of its land and property interests in Singapore. On the other hand, potential tax liabilities attributable to the Group estimated to be HK\$3,756,000 would arise for the properties held for use in the ordinary course of business.

For Vietnam, the tax liabilities comprise corporation income tax at 28% for sales of land and property in Vietnam. There is less likelihood of crystallising this tax effect as the Group has no intention for immediate disposal of its land and property interests in Vietnam. On the other hand, potential tax assets attributable to the Group estimated to be HK\$1,091,000 would arise for the properties held for use in the ordinary course of business.

5. INDEBTEDNESS

At the close of business on 31 October 2007, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this document, the Group had contingent liabilities in respect of performance guarantees given to banks for certain customers of approximately HK\$130,415,000 and aggregate outstanding bank borrowings of approximately HK\$5,226,218,000, comprising the following:

- (i) unsecured bank loans of approximately HK\$3,971,916,000;
- (ii) unsecured bank overdrafts of approximately HK\$230,578,000;
- (iii) unsecured trust receipt loans of approximately HK\$976,984,000; and
- (iv) bills discounted with recourse of approximately HK\$46,740,000.

The Group's banking facilities at 31 October 2007 were provided under the corporate guarantees executed by the Company and certain subsidiaries of the Company, as well as corporate guarantees executed by the minority shareholders of certain subsidiaries of the Company.

Save as aforesaid, as at the close of business on 31 October 2007, the Group did not have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under debentures, mortgage, charges, finance lease commitments, guarantees or other material contingent liabilities.

For the purpose of the above indebtedness statement, foreign currency amounts have been translated into Hong Kong dollars at the approximate exchange rates prevailing at the close of business on 31 October 2007. The Directors have confirmed that there had been no material change in the Group's indebtedness and contingent liability position since 31 October 2007.

6. MATERIAL CHANGES

The Directors confirm that save as disclosed in the interim results of the Group for the six months ended 30 June 2007 as set out under section 3 of this Appendix I in relation to the contingent liabilities and commitments of the Group, related party transactions entered into by the Group and the profit attributable to equity holders of the Company, as further discussed below, or as otherwise disclosed in this document, there were no material changes in the financial or trading position or outlook of the Group since 31 December 2006, being the date to which the last published audited consolidated financial statements of the Company were made up, up to the Latest Practicable Date.

The contingent liabilities as of 30 June 2007 represented an increase of HK\$18,700,000 as compared to 31 December 2006. The increase was mainly attributable to increase in performance guarantees given to banks for certain customers as a resulting of increased businesses. The commitments as of 30 June 2007 represented an increase of HK\$81,895,000 as compared to 31 December 2006. The increase was mainly attributable to increase in authorised capital commitments but not yet contracted. The related party transactions for the six months ended 30 June 2007 represented a decrease of HK\$1,188,597,000 as compared to 31 December 2006, the decrease was mainly due to comparison between half year and full year. On the other hand, it was an increase of HK\$6,516,596,000 as compared to same period last year. The increase was mainly due to purchases from certain associates for the six months ended 30 June 2007.

The profit attributable to equity holders of the Company for the six months ended 30 June 2007 was HK\$425,038,000. As of 30 June 2007, the equity attributable to equity holders of the Company represented an increase of HK\$515,572,000 as compared to 31 December 2006. The increase was mainly the results of profit for the period and exchange fluctuation reserve.

**Chung, Chan
& Associates**

Chartered Surveyors

Professional Valuers of all types of Property, Business and Assets,
Plant, Machinery and Equipment
Professional Real Estate Advisers



29 January 2008

The Directors,
Lei Shing Hong Limited,
8th Floor, New World Tower I,
18 Queen's Road Central,
Hong Kong

Dear Sirs,

**RE: VALUATION OF PROPERTY INTERESTS OF LEI SHING HONG LIMITED
AND ITS SUBSIDIARIES IN HONG KONG AND THE PEOPLE'S REPUBLIC
OF CHINA.**

In accordance with your instructions to value the property interests held by Lei Shing Hong Limited (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") in Hong Kong and the People's Republic of China (the "PRC"), we have carried out inspections, made relevant enquiries and have obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of the properties as at 31 October 2007, (the "date of valuation") for inclusion in the circular of the Company dated 29 January 2008. Our valuations undertaken herein are in compliance with the requirements as set out in Chapter 5 and Practice Note 12 of the Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Our valuation of each of the above property interests is our opinion of its market value which, in accordance with the Valuation Standards on Properties (First Edition 2005) as laid down by the Hong Kong Institute of Surveyors (HKIS) and the Appraisal and Valuation Standards (5th Edition) as published by the Royal Institution of Chartered Surveyors (RICS), is defined 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".

Our valuations have been made on the assumption that the owners sell the property interests on the market in their existing state without the benefit of a deferred terms contract, sale and leaseback, joint venture, unusual financing, management agreement, concessionary engagement or any similar arrangement which would serve to enhance, affect or diminish the values of the properties. In addition, no account is taken of any option or pre-emptive right

relating to or affecting the sale of the properties and no forced sale in any form in respect of the properties has been assumed in our valuations.

As at 31 October 2007, 26 of the properties including the property in Hong Kong i.e. Property no. 1, and those 25 properties in the PRC are held or occupied by the Group. Eight of the properties are tenanted while 9 properties are under development with the earliest completion date in about a month's time and the latest date during the second quarter of 2008. Five of the properties are vacant land awaiting to be developed or held for future development whilst five are completed properties for sale. Three of the properties are rented by the Group while two other properties are subject to joint-venture agreements.

Those properties which are owner-occupied or vacant or completed properties awaiting to be disposed of have been valued on the basis of their market values on the assumption that vacant possession will be available in the event of a sale or transfer whilst those properties which are tenanted or subject to leases have been valued on the basis of their market values subject to the existing tenancies or leases, the aforementioned bases of valuation having regard to market comparables wherever possible.

In valuing some of the properties which are occupied or used as motor vehicle showrooms and services centres and as well as industrial premises for construction machines, etc. both with ancillary offices occupied respectively by the automobile and machinery divisions of the Group, we have adopted the market approach in valuing the land portion of these properties and the depreciated replacement cost approach in assessing the buildings and structures erected or being constructed on the land. In valuing the land portion of these properties, regard is had to market comparables of similar types of land in the respective localities with adjustments made to reflect differences in location, size and nature of the land as well as other relevant factors affecting values.

Due to the nature of the undertakings in respect of the aforementioned properties, including their locations, and the fact that the buildings and structures were specially designed and built to accommodate the existing businesses or operations, the subject properties are considered to be specialised properties for which there is no readily identifiable market or there is a lack of demand or market in isolation from the undertakings using them. In view of the aforesaid comments, the buildings and structures in respect of these properties have been valued on the basis of depreciated replacement cost.

Depreciated Replacement Cost (DRC) is defined as the current cost of replacement of a property less deductions for physical deterioration and all relevant forms of obsolescence and optimisation relating to and affecting the property.

It is generally accepted that this basis of valuation provides the most reliable indication of value for the property in the absence of an established market.

However, when applying the DRC as a basis of valuation, we would advise that the market value of the property is likely to be lower upon cessation of the existing business and operation than it is at the date of valuation.

Whilst the majority of the properties are completed buildings occupying their respective parcels of land or form parts of completed developments, nine of the properties are under development and construction. Two of these properties which are under the Group's property division comprise Properties nos. 48 and 51. Property no. 48 is known as Phases 3 and 4 of Starcrest. As at the date of valuation, two of the buildings up to at least 10 storeys high are being built. Both phases of this development have been valued on the basis of their market values on the assumption that vacant possession will be available in the event of a sale or transfer whilst account is taken of completed construction works and related project works as well as related costs which had been expended up till the date of valuation. Our valuation of the subject property is on the basis that the property will be developed and completed as soon as practicable in accordance with the Group's development proposals and that the development will be satisfactorily completed and an occupation permit or letter of compliance or equivalent permit will be issued upon completion in due course.

The other property, i.e. Property no. 51 comprises three multi-storey office towers, known as LSH Plaza, with construction having reached superstructure level and with glass curtain walls to the exterior of the buildings being installed as at the date of valuation. Our valuation of this property is on the basis that the property will be developed and the construction works completed as soon as practicable in accordance with the Group's development proposals and that the development will be satisfactorily completed and an occupation permit or letter of compliance or equivalent permit will be issued upon completion in due course. We are advised by the Group that the completion of the project is expected to be around the second quarter of 2008.

We would advise that the titles in respect of two of the properties, namely Properties nos. 10 and 11 are unclear and as at the date of valuation, it is difficult to resolve the legal issue and outstanding issues or ascertain the time required to resolve such issues. Accordingly, our valuations of these two properties are on the basis that they have no market values or commercial values as at the date of valuation.

As mentioned, three properties namely Properties nos. 4, 25 and 26 are, as at the date of valuation, rented by the Group while two other properties are subject to joint-venture agreements (i.e. Properties nos. 11 and 24). In view of the fact that the Group does not have vested legal titles to these properties and also the fact that there are no provisions for sub-letting and in the absence of substantial profit rents which may be derived from the existing lettings, no commercial values are attributable to these properties for the Group. With regard to the two properties which are under joint-ventures, the Group also does not have vested legal title to these properties and having regard to the terms and conditions of the joint-venture agreements, no commercial values are attributable to the properties for the Group.

With regard to Properties nos. 5, 41 and 55, one of the salient conditions of the State-owned Land Use Sales Contract in respect of each of the properties specifies that in the event that the development of each property exceeds 25% of the total development investment outlay, the property can be transferred, leased or mortgaged. However, as each of the properties is, as at the date of valuation, a parcel of vacant land and as the development of each of the

properties is less than 25% of the total development investment outlay, the right to transfer is not permitted and on this basis these three properties are not capable of being transferred. Accordingly, our valuation of these properties is on the basis that they have no commercial value.

We have relied to a very considerable extent on information given by the Group and have accepted advice given to us in relation to planning and construction approvals, statutory notices, easements, tenure, completion dates of construction of the buildings where the properties comprise units, car parking spaces or portions of completed buildings, agreements or contracts, particulars of occupancy including details of tenancies or leases, land areas or site areas, gross floor areas and proposed gross floor areas, construction costs as well as other relevant matters.

We have conducted title searches at the Land Registry in Hong Kong for property no. 1 and we have been provided with copies of State-owned Land Use Sales Contracts and other contracts, State-owned Land Use Certificates, Construction Land Use Planning Permits, Construction Project Planning Permits, Construction Project Works Permits, Certificates of Real Estate Ownership and other documents relating to those properties in the PRC i.e. Properties nos. 2 to 58. Whilst some of the copies of documents show the ownership of the properties, we however, have not inspected the original documents to verify ownership or to ascertain the existence of any lease amendments which do not appear on the copies provided to us.

All copies of agreements or contracts, certificates, permits and other documents relating to the various property interests have been used as reference only. All dimensions, measurements and areas, including land areas or site areas, gross floor areas and proposed gross floor areas, as stated in our valuation certificate, are approximate and are based on information provided to us by the Group. Such information, which are either in the form of copies of agreements or contracts, certificates, permits or other documents are assumed to be correct. No on-site measurements have been taken or carried out to determine the land areas, floor areas or proposed floor areas of the properties or to verify their correctness.

In preparing our valuation of those properties in the PRC (Properties nos. 2 to 58), we have assumed that the land use rights of the properties, with the exception of Properties Nos. 4, 5, 10, 11, 24, 25, 26, 41 and 55, are transferable and that unless otherwise stated, any premium payable has already been fully paid or will be fully paid. We have also assumed that all approvals, consents, certificates, permits and licences from the relevant Government authorities for the properties have been or will be granted without any onerous conditions or undue delay which might affect the values of the properties. However, Properties nos. 4, 25 and 26 are properties rented by the Group and are properties in which the Group does not have vested legal title and therefore the question of whether or not they could be transferred does not exist. Properties nos. 11 and 24 are, on the other hand, properties under joint-ventures in which the Group also does not have legal titles to the properties and therefore not entitled to transfer them. The status on whether or not Properties nos. 5, 41 and 55 can be transferred is stated in the previous paragraph.

We have relied on advice given by the Group which has advised us that it has sought legal advice from its PRC legal advisers on PRC law, Commerce and Finance Law Office, regarding the legality and validity of the various agreements or contracts and documents relating to the purchase, development, use and sale of a number of the properties and the interest of the Group in the properties. For the purpose of our valuations, we have assumed and have relied on legal advice given by the Group's PRC lawyer that the titles in respect of the properties other than those mentioned above, whether vested in the Group or pending, are legally enforceable.

In addition, we have relied on the legal opinions of the Group's PRC lawyer that the Group has free and uninterrupted rights to use, assign, transfer, lease or mortgage the majority of the properties in the PRC for the unexpired term of the granted leases and that all costs relating to the acquisition of the properties have been or will be paid in full.

All the information provided to us by the Group, which are pertinent to our valuations, are believed to be true and accurate and it is assumed that no material facts have been omitted from the information provided to us.

We are instructed to express our opinion on the market values of the property interests and in the capacity of an external valuer, have not undertaken any building survey to report on the condition or state of repair of the buildings and structures accommodating or comprising parts of the properties which are completed properties or properties under construction as at the date of valuation although in the course of our inspections, we did not note any serious defects. However, we must advise that we cannot express an opinion about or give advice on the condition of the uninspected parts of the aforementioned properties or report on whether or not those parts of the properties which are concealed, unexposed or inaccessible are free of rot, infestation or other structural defects, whether latent or otherwise. For the purpose of our valuations, the aforesaid parts of the properties are assumed to be in a good state of repair and condition and this report should not be construed as making any implied representation or statement about the conditions of such parts. None of the services in respect of the properties has been tested.

We have not arranged for any investigation to be conducted or tests to be carried out to determine whether or not any deleterious or hazardous materials have been used in the construction of the various buildings accommodating the properties or forming parts of the properties, or whether such materials have since been incorporated, and we are therefore unable to report that the buildings and structures are free from such risk. However, for the purpose of our valuations, we have assumed that should such an investigation be carried out it would not reveal the presence of any such materials to any significant extent.

We would advise that we have not conducted any site investigations or carried out any tests to determine the suitability of any of the parcels of land for development or that have been developed or being developed and our valuations of these properties have been prepared on the basis that there are no adverse ground or soil conditions that would affect construction or building costs or the time required to complete those projects which have been completed or are under construction or any proposed scheme on any of the parcels of land which form part

of the portfolio of properties which are being valued. Our valuations of these properties are also on the basis that services such as electricity, water and gas as well as drainage, sewage disposal, internal roads, telecommunication services and other facilities will be provided to the newly completed projects or projects which are under construction or to any proposed scheme upon completion in due course. Our valuations of the properties do not allow for contamination, if any, of the various parcels of land which are vacant, under construction or have been developed and this report does not make allowance for such a factor in respect of any of the properties due to possible past usage of the lands.

No allowances have been made in our valuations for any charges, mortgages or amounts owing on the property interests and neither has any allowance been made for any liability to taxation on sale or any expenses 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.

In accordance with your instructions, we are required to express our opinion on the market value of the property interest in Hong Kong (Property no. 1) in the local currency i.e. Hong Kong Dollars and the market values of those properties in the PRC (Properties nos. 2 to 58) in the local currency i.e. Renminbi.

We attach herewith a summary of the market values in respect of the properties and our valuation certificates.

Yours faithfully,
CHUNG, CHAN & ASSOCIATES
Peter C. K. Chung
FRICS, FHKIS, MIS(M), PDABV

Note: Mr. Peter Chung is a Chartered Surveyor, a Fellow of the Royal Institution of Chartered Surveyors and a Fellow of the Hong Kong Institute of Surveyors, and has been conducting professional valuations of property and other assets as well as providing professional advisory work in Hong Kong, mainland China, the Asia Pacific region, Europe and America for over 25 years. He has more than 15 years experience in the valuation of properties in the PRC.

SUMMARY OF VALUES

Property in Hong Kong		Market value in existing state as at 31 October 2007 (HK\$)
Classification of Property		
1. Unit D on 9th Floor, and Car Parking Space No. 42 on Ground Floor, Blocks C & D, Medallion Heights, No. 45 Conduit Road, Hong Kong.	Property held for owner occupation	16,500,000
Total		<u><u>16,500,000</u></u>
Property in the PRC		Market value in existing state as at 31 October 2007 (RMB)
Classification of Property		
2. Units 703A and 703B on 7th Level, Citic Building, Jin Sha East Road, Long Hu District, Shantou, Guangdong Province, PRC.	Property held for investment	2,350,000
3. Nos. 939 and 989 Huqingping Highway, Minhang District, Shanghai, PRC.	Property held partly for owner occupation and partly for investment	125,810,000

			Market value in existing state as at 31 October 2007 (RMB)
	Property in the PRC	Classification of Property	
4.	1st to 3rd Levels, Hangxing Building, Xiamen Gaoqi International Airport, Huli District, Xiamen, Fujian Province, PRC.	Rented property	No commercial value
5.	Land situated at Nanbu Industrial Zone, Haicang District, Xiamen, Fujian Province, PRC.	Property held for future development	No commercial value
6.	No. 1500 Donghuan South Road, (Wudong Road), Guoxiang Jie Dao, Wuzhong District, Suzhou, Jiangsu Province, PRC.	Property held for owner occupation	15,300,000
7.	No. 888 Xiyi Main Road, Hude Industrial Park, Hude Zhen, Binhu District, Wuxi, Jiangsu Province, PRC.	Property held for owner occupation	16,000,000
8.	No. 2 Luda Road, Liuzao Zhen, Nanhui Area, Pudong New District, Shanghai, PRC.	Property under development	25,050,000

			Market value in existing state as at 31 October 2007 (RMB)
	Property in the PRC	Classification of Property	
9.	No. 6 Huazhong Road, Xiacheng District, Hangzhou, Zhejiang Province, PRC.	Property held for owner occupation	19,310,000
10.	No. 28 Ningnan Avenue, Ningnan Automobile Trading Area, Yuhuatai District, Nanjing, Jiangsu Province, PRC.	Property held for owner occupation (Title of property unclear)	No commercial value
11.	No. 518 Yingbin Zhong Dadao, Nanchang, Jiangxi Province, PRC.	Joint venture property (Title of property unclear)	No commercial value
12.	No. 285 Gangao Road, Wai Gao Qiao Free Trade Zone, Pudong, Shanghai, PRC.	Property held for investment	54,550,000
13.	1st Level, No. 195 Xianqian West Street and 2nd and 3rd Levels, No. 8-207 Xiang Xie Street, Beitang District, Wuxi, Jiangsu Province, PRC.	Property held for owner occupation	18,100,000

Market value in existing state as at 31 October 2007 (RMB)	Classification of Property	Property in the PRC
21,700,000	Property held for owner occupation	14. No. 101, Lane 0103, Shiqi Jiedao, (No. 183 Yinxian Main Road), Yinzhou District, Ningbo, Zhejiang Province, PRC.
2,050,000	Property held for owner occupation	15. Unit A, 7th Level, Zhao Feng Building, No. 9, Lane 396, Changning Road, Changning District, Shanghai, PRC.
14,700,000	Property held for owner occupation	16. Units 101, 102, 201, 202, 301 and 302, 1st to 3rd Levels, Block 16, Whole of 2nd and 3rd Levels, Block 24, Jingyuan Apartments, Lane 1765, Nos. 1-64 Hongqiao Road, Changning District, Shanghai, PRC.
67,000,000	Property held partly for investment and partly for owner occupation	17. No. 75 Haibin Fifth Road, Tianjin Port Free Trade Zone, Tanggu, Tianjin, PRC.
11,000,000	Property held for owner occupation	18. Units 1121-1126, 12th Floor, Block 1, Bo Ning Garden, No. 6 Zaoying North Lane, Chaoyang District, Beijing, PRC.

Market value in existing state as at 31 October 2007 (RMB)	Classification of Property	Property in the PRC
31,950,000	Property held for investment	19. No. 19 Haitian Road, Dalian Free Trade Zone, Dalian, Liaoning Province, PRC.
7,950,000	Property held for future development	20. Land situated at Nos. 508-516 Huabei Road, Nanguanling Village, Ganjingzi District, Dalian, Liaoning Province, PRC.
19,900,000	Phase 1 of property under development. Phase 2 held for future development	21. Industrial premises situated at 5 and 12 Zu, Helin Village, Longtan City Industry Concentrate Development Zone, Chenghua District, Chengdu, Sichuan Province, PRC.
32,350,000	Property held for owner occupation	22. No. 6 Wenhua Yuan East Road, Beijing International Automobile Exhibition Centre, Beijing Economic and Technological Development Area, Beijing, PRC.
5,100,000	Property held for owner occupation	23. Property situated at Hailar West Street, Lifeng Automobile Cultural Plaza, Hohhot, Inner Mongolia Autonomous Region, PRC.

			Market value in existing state as at 31 October 2007 (RMB)
	Property in the PRC	Classification of Property	
24.	No. 2 East Laiguangying Road, Chaoyang District, Beijing, PRC.	Joint venture property	No commercial value
25.	No. 54 Harbin Road, Sifang District, Qingdao, Shandong Province, PRC.	Rented property	No commercial value
26.	No. 60-1 Gongye South Road, Lixia District, Jinan, Shangdong Province, PRC.	Rented property	No commercial value
27.	No. 201 Zhongnan Road, Zhongshan District, Dalian, Liaoning Province, PRC.	Property held for owner occupation	27,500,000
28.	No. 443 Chengxiang Road, Daoli District, Harbin, Heilongjiang Province, PRC.	Property held for owner occupation	14,900,000
29.	No. 48 Fengcheng 5th Road, Xi'an Economic and Technological Development Area, Xi'an, Shaanxi Province, PRC.	Property held for owner occupation	16,850,000

			Market value in existing state as at 31 October 2007 (RMB)
Property in the PRC	Classification of Property		
30. No. 7 Kehuan Road, Hunnan New District, Shenyang, Liaoning Province, PRC.	Property held for owner occupation		35,500,000
31. Shop 6A, 1st and Mezzanine Levels, Block 10, Bei Shi Jia Yuan, No. 10 Beisanjing Street, Heping District, Shenyang, Liaoning Province, PRC.	Property held for owner occupation		9,950,000
32. No. 28 Huanhe North Road, Tianjin Airport Logistics Process Area, Dongli District, Tianjin, PRC.	Property held for owner occupation		17,750,000
33. No. 2828 Dongnanhu Main Road, Changchun Economic and Technological Development Zone, Changchun, Jilin Province, PRC.	Property held for owner occupation		17,550,000
34. Property situated on the west of Airport Road, Dong Mo Tang Village, Laishan District, Yantai, Shandong Province, PRC.	Property under development		9,100,000

		Market value in existing state as at 31 October 2007 (RMB)
Property in the PRC	Classification of Property	
35. No. 3 Fuyou Street, Tianzhu Zhen, Shunyi District, Beijing, PRC.	Property under development	46,600,000
36. No. 105 Zhongya Main Road, Urumqi Economic and Technological Development Zone, Urumqi, Xinjiang Uygur Autonomous Region, PRC.	Property held for owner occupation	15,300,000
37. Jiangyang Industrial Park, No. 2 Shugang West Road, Weiyang District, Yangzhou, Jiangsu Province, PRC.	Property held for owner occupation	32,490,000
38. No. 2299 Tian Yuan Dong Road, Jiangning Science Park, Jiangning District, Nanjing, Jiangsu Province, PRC.	Property held for owner occupation	30,900,000
39. No. 432 Kuntai Road, Zhoushi Zhen, Kunshan, Jiangsu Province, PRC.	Property held for owner occupation	38,280,000

Property in the PRC	Classification of Property	Market value in existing state as at 31 October 2007 (RMB)
40. Units 603, 605, 606, 802, 805, 905 and 906, Block A, Units 404, 604, 801 and 901 and 806, Block B, Units 405 and 802, Block C, Unit 802, Block D, Lijing Garden Apartments, No. 48 Qianjin Zhong Road, Kunshan Development Area, Kunshan, Jiangsu Province, PRC.	Property held for owner occupation	11,100,000
41. Land situated at east of No. 7 Road and north of Hongda Road, Qiaonan Area, Xiaoshan Economic and Technological Development Zone, Hangzhou, Zhejiang Province, PRC.	Land held for future development	No commercial value
42. House situated at No. 1000 Huashan Road, Changning District, Shanghai, PRC.	Property held for investment	24,900,000
43. 27 Residential Units in Phase 1, Starcrest, Wangjing Dong Yuan Yi Qu, Chaoyang District, Beijing, PRC.	Property held for sale	55,640,000

Property in the PRC	Classification of Property	Market value in existing state as at 31 October 2007 (RMB)
44. 13 Residential Units in Phase 2, Starcrest, Wangjing Dong Yuan Yi Qu, Chaoyang District, Beijing, PRC.	Property held for sale	21,150,000
45. 151 Car Parking Spaces in Phase 1, Starcrest, Wangjing Dong Yuan Yi Qu, Chaoyang District, Beijing, PRC.	Property held for sale	21,140,000
46. 431 Car Parking Spaces in Phase 2, Starcrest, Wangjing Dong Yuan Yi Qu, Chaoyang District, Beijing, PRC.	Property held for sale	60,340,000
47. Clubhouse, Phase 1, Starcrest, Wangjing Dong Yuan Yi Qu, Chaoyang District, Beijing, PRC.	Property held for investment	7,500,000
48. Phases 3 and 4, Starcrest, Wangjing Dong Yuan Yi Qu, Chaoyang District, Beijing, PRC.	Property under development	635,000,000

Property in the PRC	Classification of Property	Market value in existing state as at 31 October 2007 (RMB)
49. Unit 501, Tower 8, Units 501, 1104, 1502 and 3102, Tower 10, Units 101, 201, 202 and 203, Tower 11 and 220 Car Parking Spaces, Lots A and B, Nos. 1319, 1329 and 1339 Yanan West Road, Shanghai, PRC.	Property held for sale	52,100,000
50. Land Lot No. 7, Chengdu Road, Jingan District, Shanghai, PRC.	Property held for future development	506,000,000
51. LSH Plaza, No. 28, Area B, Wangjing New City, Chaoyang District, Beijing, PRC.	Property under development	993,000,000
52. House Nos. B-0111, D-0231 and D-0251, RITS Garden, Tianzhu Zhen, Shunyi District, Beijing, PRC.	Property held for investment	27,300,000

Property in the PRC	Classification of Property	Market value
		in existing state as at 31 October 2007 (RMB)
53. Rooms 1201 -1206 on 12th Level and whole of 24th Level, and Car Parking Spaces Nos. 90, 91, 92, 93, 94 and 95 in Basement 2, Guangzhou International Trading Centre, No. 1 Lin He West Road, Tian He District, Guangzhou, Guangdong Province, PRC.	Property held for investment	56,200,000
54. No. 98 Jinniushan Main Street East, Zhanqian District, Yingkou, Liaoning Province, PRC.	Property under development	18,900,000
55. Land situated at Suzhou Road, Plot Area No. 50, Phase 2, Urumqi Economic and Technological Development Zone, Urumqi, Xinjiang Uygur Autonomous Region, PRC.	Property held for future development	No commercial value
56. Property situated at north side of 339 Provincial Road, Zhoushi Zhen, Kunshan, Jiangsu Province, PRC.	Property under development	5,900,000
57. Property situated at Bei Gong West Street, Wei Cheng District, Weifang, Shandong Province, PRC.	Property under development and to be held for owner occupation upon completion	9,800,000

– 154 –

VALUATION CERTIFICATE

		Market value in existing state as at 31 October 2007	
Property	Description and tenure	Particulars of occupancy	
1. Unit D on 9th Floor, and Car Parking Space No. 42 on Ground Floor, Blocks C & D, Medallion Heights, No. 45 Conduit Road, Hong Kong.	The property comprises a 9th floor apartment and a covered car parking space in a 12-storey residential building erected over a car park in the Mid-levels residential area and having a frontage to Conduit Road. The building is believed to have been built in the early 1970s or thereabouts.	As at the date of valuation, the property is owner-occupied.	HK\$16,500,000
2,001/48,960 parts or shares of and in Inland Lot No. 8252.	<p>The gross floor area of the property is approximately 176.51 sq.m. while its saleable area is approximately 146.14 sq.m.</p> <p>The property is held under Conditions of Exchange No. 10177 for a lease term of 75 years commencing on 26 May 1913 with a right of renewal for a further term of 75 years. The re-assessed ground rent payable in respect of Lot No. 8252 is \$152,964 per annum. The new ground rent under Government (Crown) Leases Ordinance from 25 June 1993 is \$6,606 per annum.</p>		

Notes:

- (i) The registered owner of the property is Lei Shing Hong Limited.
- (ii) Our valuation of the property is based on a 100 per cent attributable interest.

			Market value in existing state as at 31 October 2007
Property	Description and tenure	Particulars of occupancy	
2. Units 703A and 703B on 7th Level, Citic Building, Jin Sha East Road, Long Hu District, Shantou, Guangdong Province, People's Republic of China.	<p>The property comprises two domestic units located on the 7th level of a 16-storey residential building which is believed to have been built in 1992.</p> <p>The property is situated at Jin Sha East Road within Long Hu District in the city of Shantou.</p> <p>The gross floor area of the property is 447.44 sq.m.</p> <p>The total site area occupied by the development is 1,449.53 sq.m. whilst the property has a share of the land of 36.03 sq.m.</p> <p>The property has been granted a State-owned land use right for a term of 50 years from 31 January 1989 to 30 January 2039 for multi-use purposes.</p>	<p>As at the date of valuation, Unit 703A is subject to a one year tenancy which commenced on 1 October 2006 and which will expire on 30 September 2007 at a rent of RMB6,000 per quarter, (RMB2,000 per month), exclusive of management fee and other charges. The tenancy has been renewed for a further term of one year from 1 October 2007 until 30 September 2008 at the same rent.</p> <p>Unit 703B is subject to a three-year tenancy commencing on 1 September 2005 and expiring on 31 August 2008 at a monthly rent of RMB2,200 exclusive of management fee and other charges. However, a new 2-year tenancy has been signed with the rent remaining the same but the term commencing on 1 September 2007 and expiring on 31 August 2010.</p>	RMB2,350,000

Notes:

1. According to the Certificate of Real Estate Ownership – Yue Fang Di Jing Zi Di 0409556 (房地產權證 – 粵房地證字第0409556號) dated 28 May 1998 issued by the Shantou Municipal Real Estate and State Land Administration Bureau, the title of the property is vested in Lei Shing Hong Ltd. (利星行有限公司).
2. We have relied on all the information as provided to us by the Group and the legal opinion of the Group's PRC lawyers and we have prepared our valuation on the following bases:
 - (i) The Group is in possession of a legal title to the property and is entitled to transfer the property with the residual term of the land use right at no additional premium or other costs payable to the government.
 - (ii) All land and other premium as well as other costs relating to the provision of utilities and ancillary services have been completely settled.

- (iii) The design, construction and completion of the building are in compliance with local planning regulations and have been approved by the relevant government authorities.
 - (iv) Our valuation of the property is based on a 100 per cent attributable interest.
 - (v) The property may be disposed of freely to purchasers within and outside the PRC.
3. The status of title of the property interest, as well as requisite approvals, consents, certificates, permits and licences relating to the development, use and sale of the property interest in accordance with information provided to us by the Group and the legal opinion of the Group's PRC lawyers are as follows:

Certificate of Real Estate Ownership – obtained

			Market value in existing state as at 31 October 2007
Property	Description and tenure	Particulars of occupancy	
3. Nos. 939 and 989 Huqingping Highway, Minhang District, Shanghai, People's Republic of China.	<p>The property comprises two modern industrial buildings occupying a parcel of land which is somewhat rectangular in shape and having a frontage to Huqingping Highway, a dual-carriageway which is one of the main roads in Minhang District of the city of Shanghai. Access to the property is by way of a driveway from Huqingping Highway.</p> <p>Metal grille fencing is installed along the boundaries of the land with the entrance to the property secured with a pair of metal grille gates.</p> <p>The buildings which have been constructed to face the main road are believed to have been built in 2003 or thereabouts.</p> <p>Both of the buildings are basically 4-storey in height with both of them being occupied for light industrial use by two companies with ancillary offices.</p> <p>The gross floor area of the buildings is 26,704.45 sq.m., for industrial use.</p>	<p>As at the date of valuation, portions of the property are subject to five leases which will expire between 2007 and 2012 at a total rent of RMB471,976.00 per month, exclusive of management fee.</p> <p>Details of the above-mentioned leases are shown in Note 2 below.</p> <p>We are advised that the remaining portion of the property is owner-occupied.</p>	RMB125,810,000

Notes:

- According to the Certificate of Real Estate Ownership – Hu Fang Di Min Zi (2005) Di No. 014904 (房地產權證 – 滬房地閔字(2005)第014904號) dated 23 February 2005 issued by the Shanghai Housing and Land Resources Administration Bureau, the title in respect of the property is vested in Shanghai Star Automobile Service Co., Ltd. (上海利星汽車維修有限公司), a 100% owned subsidiary of the Company.

According to the above-mentioned Certificate, the property has a site area of 16,742 sq.m. and a gross floor area of 26,704.45 sq.m. with a land use term of 50 years from 2 June 1997 to 1 June 2047, for industrial purposes.

- Details of the aforementioned five leases are listed as follows:

	Property	Floor Area (sq.m.)	Rental (per month)	Lease Term
(a)	Portion of 3rd Floor, No. 939 Huqingping Highway	1,259	RMB95,738.00	01-01-2005 to 31-12-2006 (exclusive of management fee)
			RMB120,628.00	01-01-2007 to 31-01-2010 (exclusive of management fee)

	Property	Floor Area (sq.m.)	Rental (per month)	Lease Term
(b)	5th Floor, No. 939 Huqingping Highway	1,300	US\$17,398.00 (RMB132,462.00)	01-09-2004 to 30-09-2009 (exclusive of management fee)
(c)	Portion of 3rd Floor, No. 989 Huqingping Highway	1,059	RMB130,456.00 RMB161,055.00	01-01-2006 to 31-12-2007 (exclusive of management fee) 01-01-2008 to 31-12-2010 (exclusive of management fee)
(d)	Portion of 2nd Floor, No. 989 Huqingping Highway	162	RMB19,956.00	01-12-2006 to 31-12-2007 (exclusive of management fee)
(e)	Portion of 3rd Floor, No. 939 Huqingping Highway	804	RMB68,474.00 RMB77,033.00	01-02-2007 to 31-01-2009 (exclusive of management fee) 01-02-2009 to 31-01-2012 (exclusive of management fee)
	Total	4,584	RMB471,976.00	(as at 31 October 2007)

3. We have relied on all the information as provided to us by the Group and the legal opinion of the Group’s PRC lawyers and we have prepared our valuation on the following bases:
 - (i) The Group is in possession of a legal title to the property and is entitled to transfer the property with the residual term of the land use right at no additional premium or other costs payable to the government.
 - (ii) All land and other premium as well as other costs relating to the provision of utilities and ancillary services have been completely settled.
 - (iii) Our valuation of the property is based on the aforementioned land area and the gross floor area of the buildings.
 - (iv) The design, construction and completion of the buildings are in compliance with local planning regulations and have been approved by the relevant government authorities.
 - (v) Our valuation of the property is based on a 100 per cent attributable interest.
 - (vi) The property may be disposed of freely to both purchasers within and outside the PRC.
4. The status of title of the property interest, as well as requisite approvals, consents, certificates, permits and licences relating to the development, use and sale of the property interest in accordance with information provided to us by the Group and the legal opinion of the Group’s PRC lawyers are as follows:

Shanghai Certificate of Real Estate Ownership
(Hu Fang Di Min Zi (2005) Di No. 014904)

– obtained

				Market value in existing state as at 31 October 2007
Property	Description and tenure	Particulars of occupancy		
4. 1st to 3rd Levels, Hangxing Building, Xiamen Gaoqi International Airport, Huli District, Xiamen, Fujian Province, People's Republic of China.	<p>The property comprises an industrial building occupying a parcel of land which has a frontage to and accessible from Airport Main Road in Huli District in the city of Xiamen, a seaport located in the southern part of Fujian Province. The area in which the property is located is about 20 minutes' driving distance to the commercial centre of the city.</p> <p>The industrial premises comprise a modern industrial building with the front main portion being 3-storey in height whilst the secondary rear portion is single storey, both portions being connected. The main building is used partly as a showroom for Mercedes-Benz cars and partly for administrative purposes. The adjacent portion of the building accommodates workshops for car repairs, after-sales services and ancillary uses, etc.</p> <p>The land in respect of the property is paved and partly fenced. Some car parking space is available within the curtilage of the property.</p> <p>The total leased gross floor area of the building is 5,802 sq.m.</p>	As at the date of valuation, the property is rented by the Group. Details of the lease are stated in Notes 1 and 2 below.		No commercial value

Notes:

1. The salient conditions of the Lease Contract dated 25 November 1997 (hereinafter referred to as the "Lease Contract"), entered into between Xiamen International Airport Group (廈門國際航空港集團) ("Party A") and Xiamen Airport Star Automobile Repair Centre Ltd. (廈門空港航星汽車維修服務有限公司) ("Party B"), a 60% owned subsidiary of the Company, are as follows:
 - (i) Party A leases to Party B the Xiamen International Airport Automobile Repair Centre which has a gross floor area of 4,036 sq.m. including the workshop, car park, warehouse, office and maintenance services on the whole of the first floor (except 228 sq.m. which has already been leased out).
 - (ii) The property is for automobile repair factory and office uses. Party B cannot change the use of the property unless there is an agreement between both parties.
 - (iii) The lease term of the property commenced on 19 December 1997 and will expire on 19 December 2027.
 - (iv) The annual rental of the property is RMB133,333.33 and Party B has to pay the thirty years rental to Party A at one time in a total sum of RMB4,000,000 in December, 1999.

- (v) After the expiration of the Lease, both parties can negotiate to renew the supplementary Lease Contract.
 - (vi) If Party B wishes to terminate the Lease during the lease period, Party B shall give Party A three months' notice in advance to terminate the Lease Contract subject to the terms and conditions as stated in the Lease Contract.
2. The salient conditions of the Lease Contract (hereinafter referred to as the "Lease Contract II") entered into between Xiamen International Airport Group Ltd. (廈門國際航空港集團有限公司) ("Party A") and Xiamen Airport Star Automobile Repair Centre Ltd. (廈門空港航星汽車維修服務有限公司) ("Party B") are as follows:
- (i) Party A leases the remaining area of Xiamen International Airport Automobile Repair Centre (total three levels) which has a gross floor area of 1,766 sq.m.
 - (ii) The property is for office, showroom and training uses. Party B cannot change the use of the property and cannot lease, transfer or mortgage the property without Party A's agreement in writing.
 - (iii) The lease term of the property commenced on 10 March 2007 and will expire on 18 December 2027.
 - (iv) Party B has to pay the rent for the whole lease period in one lump sum of RMB13,000,000 to Party A within ten days from the date of signing the aforesaid Lease Contract.
 - (v) In the event that the property is to be acquired by the government for purposes related to expansion of the airport or development of the aviation business, which are out of the control of either Party A or Party B, Party A has the right to terminate the Lease Contract by giving Party B 6 months' notice in advance. Party A shall repay Party B the balance of the rent of RMB13,000,000 after deducting the actual rent paid during the rental period. The amount for the relocation will be compensated according to the relocation agreement signed by the relocation unit, the person being relocated and the lessee, and based on the government related stipulations.
 - (vi) If it is because of Party B's decision to stop leasing the property and break the Lease Contract during the period of the lease, Party A has the right to terminate the Lease Contract and Party B has to pay RMB100,000 to Party A as compensation. In such an event, Party A shall repay Party B the balance of the rent of RMB13,000,000 after deducting the actual rent paid during the rental period.
 - (vii) During the lease period, if Party A terminates the Lease Contract which is not in accordance with the terms and conditions as stated in the Lease Contract and repossess the property before the expiration date, Party A has to repay Party B the balance of the rent of RMB13,000,000 after deducting the actual rent paid during the rental period. With regard to Party B's expenditures on the renovation costs and purchase of furniture and facilities, Party A has to compensate Party B the remaining book value of the above-mentioned costs according to the government's stipulations which is the calculation of the unamortized amount based on the minimum year of amortization.
 - (viii) At the expiration of the lease, Party B shall return the property to Party A within one week's time and all the non-movable fittings inside the property shall be left with Party A without the payment of any compensation to Party B. The items which Party B cannot relocate from the property at the agreed date will be treated as Party B having given up all its right of ownership to the items and Party A has the right to deal with the items in whatever way it wishes to.
3. We have relied on all the information as provided to us by the Group and the legal opinion of the Group's PRC lawyers and we have prepared our valuation on the following bases:

As mentioned above, Party B leases the land and building from Party A and it (Party B) does not have an interest in the property but is only entitled to use the land and the building on it for its own purposes.

On the basis of 1(i) and 2(i) above and in view of the fact that Party B is not in possession of a legal title to the land and the building, no commercial value is attributable to the property for Party B.

4. The status of title of the property interest, as well as requisite approvals, consents, certificates, permits and licences relating to the development and use of the property interest in accordance with information provided to us by the Group and the legal opinion of the Group’s PRC lawyers are as follows:

- Lease Contract
(dated 25 November 1997)
- signed
- Lease Contract
(hereinafter referred to as “Lease Contract II”)
- signed

			Market value in existing state as at 31 October 2007
Property	Description and tenure	Particulars of occupancy	
5.	Land situated at Nanbu Industrial Zone, Haicang District, Xiamen, Fujian Province, People's Republic of China.	The property comprises a parcel of vacant land situated within Nanbu Industrial Zone in Haicang District in the city of Xiamen, a seaport located in the southern part of Fujian Province. Nanbu Industrial Zone is located to the west of the city centre and is accessible by means of a bridge which links the two areas.	No commercial value
	The land is level, is currently being improved and is easily accessible from access roads within the industrial zone.	As at the date of valuation, the property is vacant and is held for future development. As at the date of valuation, the Group does not have an existing plan for the development of the property.	
	The total land area in respect of the property is 10,002.34 sq.m. whilst the property has a land use term of 50 years commencing on 14 December 2006 and expiring on 14 December 2056 for warehouse purposes.		

Notes:

- The salient conditions of the State-owned Land Use Right Sales Contract – (2006) Xia Hai Di He (Xie) Zi No. 077 (國有土地使用權有償出讓合同 – (2006)夏海地合(協)字077號)) dated 28 December 2006, entered into between Xiamen Municipal State-owned Land Resources and Real Estate Administration Bureau, Haicang Branch (廈門市國土資源與房產管理局海滄分局) (the “Seller”) and Xiamen City Eastern Star Automobile Sales Co. Ltd. (廈門市東之星汽車銷售有限公司) (the “Purchaser”), a 60% owned subsidiary of the Company, are listed as follows:
 - The property has a land area of 10,002.25 sq.m. with a land use term of 50 years commencing on 14 December 2006 and expiring on 14 December 2056.
 - Use of the property is for warehouse purposes.
 - The consideration in respect of the land use right is RMB500 per sq.m. which amounts to a total sum of RMB5,001,125.
 - The land has a plot ratio of 1.0.
 - The Purchaser agrees to commence works on the land on 14 December 2007.
 - The property can be transferred, leased or mortgaged according to the terms and conditions as stated in the aforementioned Contract.
- According to the Certificate of Land and Housing Ownership – Xia Di Fang Zheng Di Di No. 00005967 (土地房屋權證 – 夏地房證第地00005967號) dated 14 May 2007, issued by the People's Government of Xiamen Municipality, the land (No. 90000060017) has an area of 10,002.34 sq.m. with a land use term of 50 years commencing on 14 December 2006 and expiring on 14 December 2056 for warehouse purposes. The four boundaries of the property is east to planning road, west to Xiamen City Xiang Wei Teng Industrial Development Limited, south to planning road and north to Jia Cheng (Xiamen) Industrial Limited. The title in respect of the property is vested in Xiamen Eastern Star Automobile Sales Co. Ltd. (廈門市東之星汽車銷售有限公司).

3. According to the Construction Land Use Planning Permit – (2006)Xia Gui Hai Yong Di Di No. 0175 (建設用地規劃許可證 – 夏規海用地第0175號) dated 30 September 2006, issued by the Xiamen Municipal Planning Bureau – Haicang Branch (廈門市規劃局海倉分局), the land has an area of 10,002.25 sq.m. for Mercedes Benz 4S Centre.
4. We have relied on all the information as provided to us by the Group and the legal opinion of the Group's PRC lawyers and we have prepared our valuation on the following bases:
 - (i) After the development of the land has exceeded the total development investment outlay of 25%, the Group which is in possession of a legal title to the property shall be entitled to transfer the property with the residual term of the land use right at no additional premium or other costs payable to the government.
 - (ii) All land and other premium as well as other costs relating to the provision of utilities and ancillary services have been or will be completely settled.
 - (iii) As the property is a parcel of vacant land with the development cost less than 25% of the total development investment outlay, the land cannot be transferred, leased or mortgaged according to the aforementioned State-owned Land Use Right Sales Contract.
 - (iv) In view of Note 4 (iii) above, no commercial value is attributable to the property for the Group as at the date of valuation.
5. The status of title of the property interest, as well as requisite approvals, consents, certificates, permits and licences relating to the development, use and sale of the property interest in accordance with information provided to us by the Group and the legal opinion of the Group's PRC lawyers are as follows:

State-owned Land Use Right Sales Contract ((2006) Xia Hai Di He (Xie) Zi No. 077)	– signed
Certificate of the Land and Housing Ownership (Xia Di Fang Zheng Di Di No. 00005967)	– obtained
Construction Land Use Planning Permit ((2006)Xia Gui Hai Yong Di Di No. 0175)	– obtained

				Market value in existing state as at 31 October 2007
Property	Description and tenure	Particulars of occupancy		
6. No. 1500 Donghuan South Road (Wudong Road), Guoxiang Jie Dao, Wuzhong District, Suzhou, Jiangsu Province, People's Republic of China.	<p>The property comprises three industrial buildings occupying a parcel of land and having a frontage to Donghuan South Road (previously known as Wudong Road) within Wuzhong District in the city of Suzhou, one of the main cities in Jiangsu Province, which is rich in cultural relics. The buildings are believed to have been built in 2005 or thereabouts.</p> <p>The property is currently used as a showroom for Mercedes Benz cars, with ancillary offices within the building as well as storage and workshops for car service, etc.</p> <p>The area of the land is 6,309.60 sq.m. The gross floor area in respect of the main building is 3,272.81 sq.m. whilst those in respect of the outbuilding and guardroom are 117.99 sq.m. and 9.28 sq.m. respectively. The total gross floor area of the three buildings is therefore 3,400.08 sq.m.</p> <p>The property has been granted a State-owned land use term expiring on 11 September 2053 for industrial land purposes.</p>	As at the date of valuation, the property is owner occupied.		RMB15,300,000

Notes:

- According to the State-owned Land Use Certificate – Wu Guo Yong (2004) Zi Di No. 20034 (國有土地使用證 – 吳國用(2004)字第20034號) dated 12 January 2004, issued by the State-owned Land Administration Bureau of Suzhou Municipality, the land has an area of 6,309.60 sq.m. with a land use term expiring on 11 September 2053, for industrial purposes. The title in respect of the property is vested in Suzhou Star Automobile Service Co. Ltd. (蘇州利星汽車服務有限公司), a 60% owned subsidiary of the Company.
- According to the Certificate of Housing Ownership – Su Fang Quan Zheng Wu Zhong Zi Di No. 00058197 (房屋所有權證 – 蘇房權證吳中字第00058197號) dated 23 March 2006 and issued by the Real Estate Administration Bureau of Suzhou Municipality, the property comprises an industrial building, an outbuilding and a guardroom which together have a total gross floor area of 3,400.08 sq.m. for non-residential purposes. The title in respect of the property is vested in Suzhou Star Automobile Service Co. Ltd.
- We have relied on all the information as provided to us by the Group and the legal opinion of the Group's PRC lawyers and we have prepared our valuation on the following bases:
 - The Group is in possession of a legal title to the property and is entitled to transfer the property with the residual term of the land use right at no additional premium or other costs payable to the government.

- (ii) All land and other premium as well as other costs relating to the provision of utilities and ancillary services have been or will be completely settled.
 - (iii) The design, construction and completion of the main building, outbuilding and guardroom are in compliance with local planning regulations and have been approved by the relevant government authorities.
 - (iv) Our valuation of the property is based on the above-mentioned land area and total gross floor area of the buildings.
 - (v) Our valuation of the property is based on a 100 per cent attributable interest.
 - (vi) The property may be disposed of freely to purchasers within and outside the PRC.
4. The status of title of the property interest, as well as requisite approvals, consents, certificates, permits and licences relating to the development, use and sale of the property interest in accordance with information provided to us by the Group and the legal opinion of the Group's PRC lawyers are as follows:
- | | |
|--|------------|
| State-owned Land Use Certificate | – obtained |
| (Wu Guo Yong (2004) Zi Di No. 20034) | |
| Certificate of Housing Ownership | – obtained |
| (Su Fang Quan Zheng Wu Zhong Zi Di No. 00058197) | |

				Market value in existing state as at 31 October 2007
Property	Description and tenure	Particulars of occupancy		
7.	No. 888 Xiyi Main Road, Hude Industrial Park, Hude Zhen, Binhu District, Wuxi, Jiangsu Province, People's Republic of China.	The property comprises an industrial building occupying a parcel of land and has a frontage to Xiyi Main Road within the Hude Industrial Park in Binhu District in the city of Wuxi which is located to the north-west of Suzhou. The building is believed to have been built in 2006.	As at the date of valuation, the property is owner occupied.	RMB16,000,000
	The property is currently used as a showroom for Mercedes Benz cars, with ancillary offices within the building as well as storage and workshops for car service and repairs, etc.			
	The area of the land is 10,538.70 sq.m. whilst the gross floor area of the building is 5,535.37 sq.m.			
	The property has been granted a State-owned land use term expiring on 25 July 2056, for vehicle repairs and service purposes.			

Notes:

- According to the State-owned Land Use Certificate Xi Bin Guo Yong (2006) Di No. 1387 (國有土地使用證 – 錫濱國用(2006)第1387號) dated 26 July 2006, issued by the People's Government of Wuxi Municipality, the land (4-020-043-002) has an area of 10,538.70 sq.m. with a land use term of 50 years expiring on 25 July 2056 for car repair service ancillary facilities. The title in respect of the property is vested in Wuxi Star Automobile Service Co. Ltd. (無錫德星汽車維修服務有限公司), a 60% owned subsidiary of the Company.
- According to the Construction Project Planning Permit – Xi Gui Bin Jian Xu (2006) Di No. 064 (建設工程規劃許可證 – 錫規濱建許(2006)第064號) dated 11 June 2007, the property has a gross floor area of 5,535.37 sq.m.
- According to the Construction Project Works Permit – Xi Bin Jian Shi Xu (2006) Di No. 083 (建設工程開工許可證 – 錫濱建施許(2006)第083號) dated 5 September 2006, completion date of the property is in November, 2006.
- We have relied on all the information as provided to us by the Group and the legal opinion of the Group's PRC lawyers and we have prepared our valuation on the following bases:
 - The Group is in possession of a legal title to the property and is entitled to transfer the property with the residual term of the land use right at no additional premium or other costs payable to the government.
 - All land and other premium as well as other costs relating to the provision of utilities and ancillary services have been or will be completely settled.
 - The design, construction and completion of the building are in compliance with local planning regulations and have been approved by the relevant government authorities.

- (iv) Our valuation of the property is based on the above-mentioned land area and total gross floor area of the building.
 - (v) We are advised by the Group that the consideration in respect of the land is RMB7,063,506.
 - (vi) Our valuation of the property is based on a 100 per cent attributable interest.
 - (vii) The property may be disposed of freely to purchasers within and outside the PRC.
5. The status of title of the property interest, as well as requisite approvals, consents, certificates, permits and licences relating to the development, use and sale of the property interest in accordance with information provided to us by the Group and the legal opinion of the Group's PRC lawyers are as follows:

State-owned Land Use Certificate (Xi Bin Guo Yong (2006) Di No.1387)	– obtained
Construction Project Planning Permit (Xi Gui Bin Jian Xu (2006) Di No.064)	– obtained
Construction Project Works Permit (Xi Bin Jian Shi Xu (2006) Di No.083)	– obtained

			Market value in existing state as at 31 October 2007
Property	Description and tenure	Particulars of occupancy	
8.	<p>No. 2 Luda Road, Liuzao Zhen, Nanhui Area, Pudong New District, Shanghai, People's Republic of China.</p> <p>The property comprises a piece of land upon which foundation works are being undertaken to accommodate a proposed two-block industrial building. The property is situated in Nanhui Area of Pudong New District in the city of Shanghai. The property is about 40 minutes driving distance to the Pudong International Airport.</p> <p>The land is level and is currently fenced and has a total land use area of 13,975 sq.m.</p> <p>The gross floor area of the basement (below ground level) in respect of the proposed building being constructed on the land is 8,294 sq.m. whilst the gross floor area of the two 4-storey blocks (above ground level) is 20,998 sq.m., both areas making up a total gross floor area of 29,292 sq.m.</p> <p>The property is subject to a land use right term of 50 years commencing on 31 December 2004 and expiring on 30 December 2054 for industrial purposes.</p>	As at the date of valuation, the property is under construction where foundation works are being undertaken.	RMB25,050,000

Notes:

- According to the Shanghai Certificate of the Real Estate Ownership – Hu Fang Di Nan Zi (2005) Di No. 009883 (上海市房地產權證 – 滬房地南字(2005)第009883號) dated 13 June 2005, issued by the Shanghai Housing and Land Resources Administration Bureau, the land has an area of 13,975 sq.m. with a land use term of 50 years commencing on 31 December 2004 and expiring on 30 December 2054 for industrial purposes. The title in respect of the property is vested in Shanghai Hui Star Automobile Service Co. Ltd. (上海滙之星汽車維修服務有限公司), a 100% owned subsidiary of the Company.
- According to the Construction Project Planning Permit – No. Hu Nan Jian (2007) 19070711F01909 (建設工程規劃許可證 – 編號: 滬南建(2007)19070711F01909) dated 11 July 2007, the gross floor area of the basement (below ground level) in respect of the proposed building is 8,294 sq.m. whilst the gross floor area of the two 4-storey blocks (above ground level) is 20,998 sq.m., both areas making up a total gross floor area of 29,292 sq.m.
- According to the Construction Project Works Permit No. 0602NH0129D01 310225200607262709 (建築工程施工許可證 – 編號: 0602NH0129D01 310225200607262709) dated 9 August 2007, issued by the Construction Committee of Shanghai Municipality Nanhui District, the construction contract price is RMB46,800,000. The contract completion date of the project is on 16 April 2008.

4. We have relied on all the information as provided to us by the Group and the legal opinion of the Group's PRC lawyers and we have prepared our valuation on the following bases:
- (i) The Group is in possession of a legal title to the property and as the investment outlay on development of the construction project has exceeded 25%, it is entitled to transfer the property with the residual term of the land use right at no additional premium or other costs payable to the government.
 - (ii) All land and other premium as well as other costs relating to the provision of utilities and ancillary services have been or will be completely settled.
 - (iii) Our valuation of the property is based on the aforementioned land area and the total gross floor area of the proposed development to be built on the land.
 - (iv) We are advised by the Group that the consideration of the land is RMB6,906,454 whilst the total construction and related costs, as at the date of valuation, are about RMB18,000,000.
 - (v) No account is taken in our valuation of any land premium or other premium which might be payable upon development of the property in due course.
 - (vi) We are advised by the Group that the estimated total cost of completing the development is RMB69,000,000 and the anticipated completion date is in the second quarter of 2008.
 - (vii) The estimated value after the development has been completed is RMB95,400,000.
 - (viii) The design of the proposed building to be erected on the land shall be in compliance with local planning regulations and the construction and eventual completion of the building shall be approved by the relevant government authorities in due course.
 - (ix) Our valuation of the property is based on a 100 per cent attributable interest.
 - (x) The property may be disposed of freely to purchasers within and outside the PRC.
5. The status of title of the property interest, as well as requisite approvals, consents, certificates, permits and licences relating to the development, use and sale of the property interest in accordance with information provided to us by the Group and the legal opinion of the Group's PRC lawyers are as follows:
- | | |
|---|------------|
| State-owned Land Use Right Sales Contract
(Nan Fang Di (2004) Chu Rang He Tong Di No. 230) | – signed |
| Certificate of the Real Estate Ownership
(Hu Fang Di Nan Zi (2005) Di No. 009883) | – obtained |
| Construction Project Planning Permit
(Hu Nan Jian (2007) 19070711F01909) | – obtained |
| Construction Project Works Permit
(No. 0602NH0129D01 310225200607262709) | – obtained |

				Market value in existing state as at 31 October 2007
Property	Description and tenure	Particulars of occupancy		
9.	No. 6 Huazhong Road, Xiacheng District, Hangzhou, Zhejiang Province, People's Republic of China.	The property comprises an industrial building occupying a parcel of land and has a frontage to Huazhong Road within Xiacheng District in the city of Hangzhou, the capital of Zhejiang Province. The building is believed to have been built in 2006 or thereabouts.	As at the date of valuation, the property is owner occupied.	RMB19,310,000
	The property is currently used as a showroom for Mercedes Benz cars, with ancillary offices within the building as well as storage and workshops for car repairs, etc.			
	The area of the land is 6,215 sq.m. The gross floor area in respect of the building is 3,777.32 sq.m. whilst that in respect of the guardroom is 9.53 sq.m. both areas making up a total gross floor area of 3,786.85 sq.m.			
	The property has been granted a State-owned land use term expiring on 3 February 2055 for industrial purposes.			

Notes:

- According to the State-owned Land Use Certificate – Hang Xia Guo Yong (2005) Zi Di No. 000308 (國有土地使用證 – 杭下國用(2005)字第000308號) dated 2 December 2005, issued by the State-owned Land and Resources Bureau of Hangzhou Municipality, the land has an area of 6,215 sq.m. with a land use term expiring on 3 February 2055 for industrial purposes. The title in respect of the property is vested in Hangzhou Eastern Star Automobile Service Co. Ltd. (杭州東星行汽車維修有限公司), a 55% owned subsidiary of the Company.
- According to the Certificates of Housing Ownership – Hang Fang Quan Zheng Xia Zi Di Nos. 06126725 and 06126726 (房屋所有權證 – 杭房權證下字第 06126725及06126726號) both dated 30 April 2006 and issued by the Real Estate Administration Bureau of Hangzhou Municipality, the property comprises an industrial building with a gross floor area of 3,777.32 sq.m. and a guardroom with a gross floor area of 9.53 sq.m. which together make up a total gross floor area of 3,786.85 sq.m., for non-residential purposes. The title in respect of the property is vested in Hangzhou Eastern Star Automobile Service Co. Ltd. (杭州東星行汽車維修有限公司).
- We have relied on all the information as provided to us by the Group and the legal opinion of the Group's PRC lawyers and we have prepared our valuation on the following bases:
 - The Group is in possession of a legal title to the property and is entitled to transfer the property with the residual term of the land use right at no additional premium or other costs payable to the government.
 - All land and other premium as well as other costs relating to the provision of utilities and ancillary services have been or will be completely settled.

- (iii) The design, construction and completion of the building and guardroom are in compliance with local planning regulations and have been approved by the relevant government authorities.
 - (iv) Our valuation of the property is based on the above-mentioned land area of 6,215 sq.m. and the aforementioned total gross floor area of 3,786.85 sq.m.
 - (v) We are advised that the consideration in respect of the land is RMB6,597,257.
 - (vi) Our valuation of the property is based on a 100 per cent attributable interest.
 - (vii) The property may be disposed of freely to purchasers within and outside the PRC.
4. The status of title of the property interest, as well as requisite approvals, consents, certificates, permits and licences relating to the development, use and sale of the property interest in accordance with information provided to us by the Group and the legal opinion of the Group's PRC lawyers are as follows:
- | | |
|---|------------|
| State-owned Land Use Certificate
(Hang Xia Guo Yong (2005) Zi Di No.000308) | – obtained |
| Certificates of Housing Ownership
(Hang Fang Quan Zheng Xia Zi Di Nos. 06126725 and
06126726) | – obtained |

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2007
10. No. 28 Ningnan Avenue, Ningnan Automobile Trading Area, Yuhuatai District, Nanjing, People's Republic of China.	<p>The property comprises a single-storey building with a mezzanine floor occupying a parcel of land and has a frontage to Ningnan Avenue in Yuhuatai District in the city of Nanjing. The building is believed to have been built in October, 2004. Ningnan Avenue is one of the main roads in this part of Nanjing, which is a relatively new mixed-user area about 40 minutes drive from Lu Kou International Airport.</p> <p>The area is popular among car manufacturers and dealers which use their premises for the display, storage, repair and maintenance of motor vehicles. The property is situated close to the Ningnan International Motor Vehicle Spare Parts Centre which was opened about a year ago.</p> <p>The land is irregular in shape with metal fencing erected along the land boundaries. Part of the land adjoining the building at the rear is used for the parking of motor vehicles while part of it is vacant with landscaping.</p> <p>The 1st level of the subject building is used as a showroom for new Mercedes Benz luxury cars while the mezzanine level is occupied by the administration and accounts offices. The adjoining rear portion of the building is for car inspection, repair, maintenance, car spray painting and washing, etc.</p> <p>There is a guardhouse which is located at the entrance of the enclosed property.</p> <p>According to a copy of the Agreement, which was provided to us, the land area occupied by the development is approximately 4,385.50 sq.m. with a land use term of 40 years for exclusive car sales outlet commencing on the date of signing of the State-owned Land Use Transfer Contract.</p> <p>We are advised by the Group that the gross floor area of the building is 3,630 sq.m.</p>	As at the date of valuation, the property is occupied and used by Nanjing Star Automobile Service Co. Ltd.	No commercial value

Notes:

1. According to the Agreement (the “Agreement”) entered into between Nanjing Ningnan Vehicle Investment Co. Ltd. (南京寧南車業投資有限公司) (“Party A”) and Nanjing Star Automobile Service Co. Ltd. (南京寧星汽車維修服務有限公司) (“Party B”), a 60% owned subsidiary of the Company, dated 8 August 2006, the land has an area of 4,385.50 sq.m. with a land use term of 40 years commencing on the date of signing of the State-owned Land Use Transfer Contract, for exclusive car sales outlet.

The pertinent terms and conditions of the Agreement are as follows:

- (i) The land area of the property is 4,385.50 sq.m. subject to the red line Plan of the State-owned Land Use Certificate.
 - (ii) The transfer consideration of the land is in a sum of RMB7,000,000 which has already been paid.
2. We have relied on all the information as provided to us by the Group and the legal opinion of the Group’s PRC lawyers and we have prepared our valuation on the following bases:
 - (i) The Group is in the course of applying for the Real Estate Ownership Right. There will be no legal obstacle in obtaining such right provided that Party A obtains the State-Owned Land Use Right in respect of the property. The Group’s ability to obtain the Real Estate Ownership Right is dependent on Party A obtaining the State-Owned Land Use Right. As at the date of valuation, Party A had not obtained such right. The Group is therefore not in possession of a legal title to the property and is not entitled to transfer the property.
 - (ii) In view of 2 (i) above, no commercial value is attributable to the property.
3. The status of title of the property interest, as well as requisite approvals, consents, certificates, permits and licences relating to the development, use and sale of the property interest in accordance with information provided to us by the Group and the legal opinion of the Group’s PRC lawyers are as follows:

Agreement dated 8 August 2006

– signed

				Market value in existing state as at 31 October 2007
	Property	Description and tenure	Particulars of occupancy	
11.	No. 518 Yingbin Zhong Dadao, Nanchang, Jiangxi Province, People's Republic of China.	<p>The property comprises an industrial building occupying a parcel of land which has a frontage to Yingbin Zhong Dadao in the city of Nanchang, an important river port and capital of Jiangxi Province. The Gan Jiang (river) which runs from the north of the Province bypasses the City and flows to Poyang Hu, the largest fresh water lake in China.</p> <p>The industrial premises comprise a single-storey building which is used as a 4S centre for Mercedes Benz cars with showroom and ancillary offices as well as workshops for car repairs, after-sales services, etc.</p> <p>The land in respect of the property is paved and fenced and there is ample car parking within the curtilage of the property. The land has an area of approximately 6,666.70 sq.m. (10 mu) subject to actual survey.</p> <p>We are advised that the total gross floor area of the building is 5,576.50 sq.m.</p>	As at the date of valuation, the property is subject to a joint-venture, details of which are stated in Notes 1 and 2 below.	No commercial value

Notes:

1. The salient conditions of the Joint-venture Letter of Intent dated 15 July 2004 entered into between Jiangxi Province Yi Qi Jie Fang Sales and Service Co. Ltd. (江西省一汽解放銷售服務有限公司) ("Party A") and Sino Motors Company Limited (中國汽車貿易有限公司) ("Party B"), a 100% owned subsidiary of the Company, are as follows:
 - (i) Party A and Party B agree to invest and establish the joint-venture company "Nanchang Eastern Star Automobile Service Co. Ltd." (南昌東星汽車維修服務有限公司) (the "JV Company") in Nanchang City of Jiangxi Province, which Party A has a shareholding of 40% and Party B has a shareholding of 60%. The duration of the joint-venture is 40 years.
 - (ii) Party A agrees to transfer a portion of his land, which has an area of 10 mu (6,666.70 sq.m.) for use by the JV Company at a price of RMB150,000 per mu.
 - (iii) The main business of the JV Company encompasses services and repairs of Mercedes Benz cars, provision of technical training, showroom display of cars and processed works of car spare parts.

2. The salient conditions of the Letter of Undertaking dated 2006, issued by Jiangxi Province Yi Qi Jie Fang Sales and Service Co. Ltd. (江西省一汽解放銷售服務有限公司) (“Party A”) state that according to the aforementioned Letter of Intent, Party A promises to transfer the land use right in respect of the land which has an area of approximately 10 mu (subject to actual survey) to the JV Company. As the JV Company has invested in the land by constructing the building on the land, Party A guaranteed that:
 - (i) In the event that the land use right cannot be transferred to the JV Company at the specified period and before the completion of the application of change of use of the land, the JV Company shall lease the land without any payment or consideration and that the lease term in respect of the land would not exceed the operating period of the JV Company.
 - (ii) During the above-mentioned lease period, if it is Party A’s fault that the JV Company cannot use the land as agreed, then Party A shall be responsible for compensating the JV Company all the losses incurred by the JV Company including, but not limited to, the reduction of its operation income and also the necessary relocation costs.
3. According to the State-owned Land Use Certificate – Nan Guo Yong (2001) Zi Di No. 0193 (國有土地使用證 – 南國用(2001)字第0193號) dated 21 October 2001, issued by the People’s Government of Nanchang, the property has a net land area of 21,161.83 sq.m. with a land use term expiring on 20 October 2051, for industrial purposes. The title in respect of the property is vested in Jiangxi Province Yi Qi Jie Fang Sales and Service Co. Ltd. (江西省一汽解放銷售服務有限公司).
4. We have relied on all the information as provided to us by the Group and the legal opinion of the Group’s PRC lawyers and we have prepared our valuation on the following bases:
 - (i) Whilst Party A legally owns the land by virtue of the aforementioned State-owned Land Use Certificate, Party B, through the JV Company, only has the right to use a portion of the land in view of the conditions of the aforementioned Joint-venture Letter of Intent.
 - (ii) On the basis of (i) above and in view of the fact that the JV Company and therefore Party B (in part) is not in possession of a legal title to the property, no commercial value is attributable to the property for the JV Company and therefore Party B (in part).
 - (iii) However, in the event that Party A is able to transfer the above-mentioned portion of the land of 10 mu to the JV Company, and the payment by the JV Company to Party A for the portion of land and then complete the procedure for transfer as well as obtain the State-owned Land Use Certificate for the land of 10 mu, then the JV Company shall be entitled to transfer, mortgage or lease the land. In such an event, then the market value in respect of the land of 10 mu shall be attributable to the JV Company. As the building on the land was constructed by the JV Company but as there is no Certificate of Real Estate Ownership for the building, the JV Company only has the right to use the building and no commercial value is attributable to the building.
5. The status of title of the property interest, as well as requisite approvals, consents, certificates, permits and licences relating to the development and use of the property interest in accordance with information provided to us by the Group and the legal opinion of the Group’s PRC lawyers are as follows:

Joint-venture Letter of Intent (dated 15 July 2004)	– signed
Letter of Undertaking (2006)	– issued
State-owned Land Use Certificate (Nan Guo Yong (2001) Zi Di No. 0193) (Jiangxi Province Yi Qi Jie Fang Sales and Service Co. Ltd. “Party A”)	– obtained

			Market value in existing state as at 31 October 2007
Property	Description and tenure	Particulars of occupancy	
12. No. 285 Gangao Road, Wai Gao Qiao Free Trade Zone, Pudong, Shanghai, People’s Republic of China.	<p>The property comprises a 3-storey industrial building and two single storey warehouses situated on a parcel of land which has a frontage to Gangao Road within the Wai Gao Qiao Free Trade Zone of Pudong District in the city of Shanghai. The land has an area of 30,244 sq.m.</p> <p>The Wai Gao Qiao Free Trade Zone is an established designated light industrial area which is an independent free trade zone which comprises a number of industrial complexes and premises some of which are occupied by well-known industrial companies, as well as some commercial premises such as shops, restaurants, banks, etc. catering to customers located and working in the area.</p> <p>The property is enclosed with a brick wall along the site boundaries with the entrance to the property secured with a foldable rolling metal gate.</p> <p>The 3-storey building is used partly as a car showroom with ancillary offices on the upper floors. The two single-storey warehouses are mainly for the storage of new Mercedes Benz luxury cars. There is a guardhouse which is located at the entrance of the enclosed property.</p> <p>The buildings were constructed between 1997 and 1999 or thereabouts.</p> <p>According to a copy of the Certificate of Real Estate Ownership, which was provided to us, the gross floor area of the property is 14,069.77 sq.m.</p> <p>The property has been granted a land use right for a term of 50 years from 9 August 1994 to 8 August 2044 for industrial purposes. The total site area occupied by the developments is 30,244 sq.m.</p>	As at the date of valuation, the property is subject to various leases at a total monthly rent of RMB541,452.	RMB54,550,000

Notes:

- According to the Certificate of Real Estate Ownership – Hu Fang Di Shi Zi (2001) Di No. 009042 (房地產權證 – 滬房地市字(2001)第009042號) dated 16 November 2001, the subject property has a land area of 30,244 sq.m. and total gross floor area of 14,069.77 sq.m. with a land use term commencing on 9 August 1994 and expiring on 8 August 2044 for industrial use. The title in respect of the property is vested in Shanghai Eastern Star Automobile Trading Co., Ltd. (上海東之星汽車貿易有限公司), a 100% owned subsidiary of the Company.

The following is a breakdown of the gross floor areas of the office building, the two warehouses and guard room and their estimated completion dates:

	Gross Floor Area	Completion Date
Single-storey warehouse	5,916.54 sq.m.	September 1997
Single-storey warehouse	6,437.42 sq.m.	June 1999
3-storey building	1,696.61 sq.m.	December 1999
Guard room	19.20 sq.m.	December 1999
Total	14,069.77 sq.m.	

- We have been provided with a schedule of leases or tenancies showing particulars of the areas which are leased to various parties, as follows:

Type of Building	Floor Level	Lease Area (sq.m.)	Monthly Rent (RMB)	Lease Term
Phase II warehouse	Portion of 1/F	520.50	22,766.00	01-09-2004 to 31-08-2007
			18,998.00	01-09-2007 to 31-08-2010
Phase II warehouse	Portion of 1/F	1,383.90	40,319.00	01-09-2004 to 31-08-2007
			50,512.00	01-09-2007 to 31-08-2010
Phase I warehouse	Whole of 1/F }	11,635.68	367,191.00	01-05-2006 to 30-04-2011
Phase II warehouse	Portion of 1/F }			
Phase III warehouse	Portion of 1/F } and open area }			
Total		13,540.08	436,701.00	
Phase III warehouse	Whole of 2/F	482.80	20,833.00	01-01-2007 to 28-02-2012
Phase III warehouse	Whole of 3/F	482.80	20,833.00	01-01-2008 to 28-02-2012
		965.60	41,666.00	

3. We have relied on all the information as provided to us by the Group and the legal opinion of the Group's PRC lawyers and we have prepared our valuation on the following bases:
- (i) The Group is in possession of a legal title to the property and is entitled to transfer the property with the residual term of the land use right at no additional premium or other costs payable to the government.
 - (ii) All land and other premium as well as other costs relating to the provision of utilities and ancillary services have been or will be completely settled.
 - (iii) The design, construction and completion of the buildings are in compliance with local planning regulations and have been approved by the relevant government authorities.
 - (iv) Our valuation of the property is based on the land area of 30,244 sq.m. and total gross floor areas of the buildings of 14,069.77 sq.m. as well as the rents which are being received and which are based on the Tenancy Agreements entered into between the Landlord and Tenants as mentioned above, and which are believed to be correct.
 - (v) Our valuation of the property is based on a 100 per cent attributable interest.
 - (vi) The property may be disposed of freely to purchasers within and outside the PRC.
4. The status of title of the property interest, as well as requisite approvals, consents, certificates, permits and licences relating to the development, use and sale of the property interest in accordance with information provided to us by the Group and the legal opinion of the Group's PRC lawyers are as follows:

Certificate of Real Estate Ownership
(Hu Fang Di Shi Zi (2001) Di No. 009042)

– obtained

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2007
13.	1st Level, No. 195 Xianqian West Street and 2nd and 3rd Levels, No. 8-207 Xiang Xie Street, Beitang District, Wuxi, Jiangsu Province, People's Republic of China.	<p>The property comprises a 3-storey commercial/office development with the ground floor having a mezzanine floor while the two upper floors are for commercial/office purposes. The building has a frontage to Xianqian West Street, a dual carriageway which is one of the main roads leading to the Rong Hu Bridge in Beitang District of the city of Wuxi. The building is believed to have been built in 2005.</p> <p>The ground and mezzanine floors are occupied as a showroom for Mercedes Benz cars. There is a sales reception and accounts office on the ground floor whilst the mezzanine floor is occupied by the administration department.</p> <p>According to 2 copies of the Wuxi Certificates of Real Estate Ownership, which were provided to us, the gross floor area of the 1st Level is 469.12 sq.m. while the total gross floor area of the 2nd and 3rd Levels is 965.57 sq.m. making up a total gross floor area of the subject property of 1,434.69 sq.m. for non-residential use.</p>	As at the date of valuation, the property is owner-occupied.	RMB18,100,000

Notes:

- According to the Commodity House Sales and Purchase Contracts, both dated 8 April 2005 and entered into between Wuxi City Long Ma Real Estate Development Company Limited (無錫市龍馬房地產開發有限公司) ("Party A") and Shanghai Eastern Star Automobile Trading Company Limited (上海東之星汽車貿易有限公司) ("Party B"), a 100% owned subsidiary of the Company, the property has been granted a land use term of 40 years from 3 March 2002 to 3 March 2042 for commercial use.

The gross floor area of the 1st Level is 469.12 sq.m. which consists of a gross floor area of 429.33 sq.m. in respect of the shop and an area of 39.79 sq.m. which is in respect of the public area and share of the common areas of the building.

The gross floor area of the 2nd and 3rd Levels is 965.57 sq.m. which consists of a gross floor area of 883.67 sq.m. in respect of the unit and an area of 81.90 sq.m. which is in respect of the public area and share of the common areas of the building.

The consideration of the 1st Level shop is RMB7,840,000 whilst the consideration for the 2nd and 3rd Levels is RMB7,838,304.

- According to the State-owned Land Use Certificates – Xi Guo Yong 2005 Di Nos. 03006070 and 03006071 (國有土地使用證 – 錫國用2005第03006070及03006071號), the property has respective land areas of 208.30 sq.m. and 428.70 sq.m. Use of the land is restricted to commercial purposes.

3. According to the Certificates of Housing Ownership – Xi Fang Quan Zheng Bei Tang Zi Di Nos. 30077340 and 30077338 (房屋所有權證 – 錫房權證北塘字第30077340及30077338號) both dated 26 September 2005 issued by the Wuxi Municipal Real Estate Administration Bureau, the property has a total gross floor area of 1,434.69 sq.m. which consists of the gross floor area of the 1st Level of 469.12 sq.m. together with that of the 2nd and 3rd Levels of approximately 965.57 sq.m. respectively for non-residential use.

The title in respect of the property is vested in Shanghai Eastern Star Automobile Trading Company Limited (上海東之星汽車貿易有限公司).

4. We have relied on all the information as provided to us by the Group and the legal opinion of the Group’s PRC lawyers and we have prepared our valuation on the following bases:
 - (i) The Group is in possession of a legal title to the property and is entitled to transfer the property with the residual term of the land use right at no additional premium or other costs payable to the government.
 - (ii) All land and other premium as well as other costs relating to the provision of utilities and ancillary services have been or will be completely settled.
 - (iii) Our valuation of the property is based on the aforementioned total gross floor area of the property.
 - (iv) The design, construction and completion of the building are in compliance with local planning regulations and have been approved by the relevant government authorities.
 - (v) Our valuation of the property is based on a 100 per cent attributable interest.
 - (vi) The property may be disposed of freely to both purchasers within and outside the PRC.
5. The status of title of the property interest, as well as requisite approvals, consents, certificates, permits and licences relating to the development, use and sale of the property interest in accordance with information provided to us by the Group and the legal opinion of the Group’s PRC lawyers are as follows:

Commodity House Sale and Purchase Contracts	– signed
State-owned Land Use Certificates (Xi Guo Yong 2005 Di Nos. 03006070 and 03006071)	– obtained
Wuxi Certificates of Real Estate Ownership (Xi Fang Quan Zheng Bei Tang Zi Di Nos. 30077340 and 30077338)	– obtained

			Market value in existing state as at 31 October 2007
Property	Description and tenure	Particulars of occupancy	
14.	<p>No. 101, Lane 0103 Shiqi Jiedao, (No. 183 Yinxian Main Road) Yinzhou District, Ningbo, Zhejiang Province, People’s Republic of China.</p> <p>The property comprises an industrial building occupying a parcel of land and has a frontage to Yinxian Main Road within Yinzhou District in the city of Ningbo, one of the main cities, which is located near the eastern fringe of Zhejiang Province. The property is located quite close to Lishe Airport which is about 20 minutes’ drive away. The building is believed to have been built in 2004 or thereabouts.</p> <p>The property is currently used as a showroom for Mercedes Benz cars, with ancillary offices within the building as well as storage and workshops for car service, etc.</p> <p>The area of the land is 8,400.40 sq.m., while the gross floor area in respect of the building is 3,275.22 sq.m.</p> <p>The property has been granted a State-owned land use term expiring on 17 September 2046 for commercial purposes.</p>	As at the date of valuation, the property is owner-occupied.	RMB21,700,000

Notes:

- The salient conditions of the Real Estate Transfer Contract entered into between Zhong Xiang Ningbo Foreign Trading Co. Ltd. (中巷寧波對外貿易股份有限公司) (“Party A”) on 6 December 2006 and Shanghai Eastern Star Automobile Trading Co. Ltd. (上海東之星汽車貿易有限公司) (“Party B”), a 100% owned subsidiary of the Company, on 11 December 2006, state that the property has a land area of 8,400.40 sq.m. while the consideration for the land and building is in a total sum of RMB24,290,000. Party A guarantees that the property will be handed over to Party B on 31 December 2006 when Party B has fully paid the consideration according to the terms and conditions as stated in the aforesaid Contract.
- According to the State-owned Land Use Certificate – Yong Yin Guo Yong (2007) Di No. 19-05076 (國有土地使用證 – 甬鄞國用(2007)第19-05076號) dated 10 May 2007, issued by the People’s Government of Ningbo Municipality, the land has an area of 8,400.40 sq.m. with a land use term expiring on 17 September 2046 for commercial purposes. The title in respect of the property is vested in Shanghai Eastern Star Automobile Trading Co. Ltd. (上海東之星汽車貿易有限公司).
- According to the Certificate of Real Estate Ownership – Yin Fang Quan Zheng Shi Zi Di No. 200700052 (房地產權證 – 鄞房權證石字第200700052號) dated 8 January 2007, issued by the Real Estate Administration Bureau of Ningbo Municipality, the property comprises a building which has a gross floor area of 3,275.22 sq.m., for commercial purposes. The title in respect of the property is vested in Shanghai Eastern Star Automobile Trading Co. Ltd. (上海東之星汽車貿易有限公司).

4. We have relied on all the information as provided to us by the Group and the legal opinion of the Group's PRC lawyers and we have prepared our valuation on the following bases:
- (i) The Group is in possession of a legal title to the property and is entitled to transfer the property with the residual term of the land use right at no additional premium or other costs payable to the government.
 - (ii) All land and other premium as well as other costs relating to the provision of utilities and ancillary services have been or will be completely settled.
 - (iii) The design, construction and completion of the building are in compliance with local planning regulations and have been approved by the relevant government authorities.
 - (iv) Our valuation of the property is based on the above-mentioned land area and the aforementioned total gross floor area of the building.
 - (v) Our valuation of the property is based on a 100 per cent attributable interest.
 - (vi) The property may be disposed of freely to purchasers within and outside the PRC.
5. The status of title of the property interest, as well as requisite approvals, consents, certificates, permits and licences relating to the development, use and sale of the property interest in accordance with information provided to us by the Group and the legal opinion of the Group's PRC lawyers are as follows:

Real Estate Transfer Contract (dated 11 December 2006)	– signed
State-owned Land Use Certificate (Yong Yin Guo Yong (2007) Di No. 19-05076)	– obtained
Certificate of Real Estate Ownership (Yin Fang Quan Zheng Shi Zi Di No. 200700052)	– obtained

			Market value in existing state as at 31 October 2007
Property	Description and tenure	Particulars of occupancy	
15. Unit A, 7th Level, Zhao Feng Building, No.9 Lane 396, Changning Road, Changning District, Shanghai, People's Republic of China.	<p>The property comprises a 24-storey residential unit in Zhao Feng Building, a residential development situated in Changning District in the city of Shanghai. Car parking is available on the ground floor within the curtilage of the development. The estate was completed in 1993 or thereabouts.</p> <p>Access to the estate is from No. 9 Lane 396, one of the secondary roads in this part of the city. Developments in the surrounding areas comprise a mixture of medium-rise and high-rise residential properties with some commercial and retail outlets at street level.</p> <p>The property comprises a residential unit which has a gross floor area of 157.89 sq.m.</p>	As at the date of valuation, the property is occupied and used as staff quarters.	RMB2,050,000

Notes:

- The salient conditions of the Housing Sales and Purchase Contract, entered into between Shanghai Real Estate Enterprise Company (上海市房地產實業公司) (the "Seller") and Kam Chung Hing (金仲卿) (the "Purchaser"), the property has a gross floor area of 157.89 sq.m. with a purchase price of US\$189,468.
- According to the Certificate of Housing Ownership – Hu Fang Shi Zi Di No. 08035 (房屋所有權證 – 滬房市字第08035號) dated 29 June 1994, issued by the Real Estate Administration Bureau of Shanghai Municipality, the unit has a gross floor area of 157.89 sq.m. The title in respect in the property is vested in Kam Chung Hing (金仲卿) who holds on trust for Lei Shing Hong Automobile Limited, a wholly-owned subsidiary of the Company. This Declaration of Trust is dated 27 June 1994.
- We have relied on all the information as provided to us by the Group and the legal opinion of the Group's PRC lawyers and we have prepared our valuation on the following bases:
 - Kam Chung Hing is in possession of a legal title to the property and is holding the property on trust for Lei Shing Hong Automobile Limited by virtue of a Declaration of Trust dated 27 June 1994, and is entitled to transfer the property with the residual term of the land use right at no additional premium or other costs payable to the government.
 - All land and other premium as well as other costs relating to the provision of utilities and ancillary services have been or will be completely settled.
 - The design, construction and completion of the building in which the subject residential unit is located are in compliance with local planning regulations and have been approved by the relevant government authorities.
 - Our valuation of the property is subject to the title of the property being transferred to Lei Shing Hong Automobile Limited by Kam Chung Hing who is holding the property on trust for the Company.

- (v) Our valuation of the property is based on the above-mentioned gross floor area of the property of 157.89 sq.m.
 - (vi) Our valuation of the property is based on a 100 per cent attributable interest.
 - (vii) The property may be disposed of freely to purchasers within and outside the PRC.
4. The status of title of the property interest, as well as requisite approvals, consents, certificates, permits and licences relating to the development, use and sale of the property interest in accordance with information provided to us by the Group and the legal opinion of the Group’s PRC lawyers are as follows:
- | | |
|---|------------|
| Housing Sales and Purchase Contract | – signed |
| Certificate of Housing Ownership
(Hu Fang Shi Zi Di No. 08035) | – obtained |

			Market value in existing state as at 31 October 2007
Property	Description and tenure	Particulars of occupancy	
16. Units 101, 102, 201, 202, 301 and 302, 1st to 3rd Levels, Block 16, Whole of 2nd and 3rd Levels, Block 24, Jingyuan Apartments, Lane 1765, Nos. 1-64 Hongqiao Road, Changning District, Shanghai, People’s Republic of China.	<p>The property comprises 8 residential units in Jingyuan Apartments, a low-rise low density residential development situated in Changning District in the city of Shanghai. The development consists of several similar type apartment buildings within an enclosed area with internal roads serving the estate. Car parking is available at ground level within the curtilage of the estate. Completion of the estate is believed to be in 1995 or thereabouts.</p> <p>Access to the estate is from Lane 1765 off Hongqiao Road, one of the main roads in this part of the city. Developments in the surrounding areas comprise a mixture of medium-rise residential properties and multi-storey commercial premises.</p> <p>The property comprises 8 apartments located on the 1st to 3rd Levels of Block 16 and the entire 2nd and 3rd Levels of Block 24 of the estate and has a total gross floor area of 980.68 sq.m.</p> <p>The property has been granted a State-owned land use term of 70 years commencing on 9 November 1994 and expiring on 8 November 2064 for 3-storey residential buildings.</p>	As at the date of valuation, the 8 residential units which comprise the subject property are occupied and used as staff quarters.	RMB14,700,000

Notes:

- The salient condition of the Shanghai Municipal Commodity House Foreign Sales Pre-sale Contract dated 7 December 1994, entered into between Shanghai Jin Jiang Real Estate Company (上海錦江房地產公司) (“Party A”) and Eastern Star Automobile Ltd. (東星汽車有限公司) (“Party B”), a 100% owned subsidiary of the Company, states that the property which has a total gross floor area of 980.67 sq.m. was purchased at the consideration of US\$1,647,526.

2. The salient conditions of the Shanghai Municipal Commodity House Foreign Sales Contracts Nos. 94-0070-0003, 94-0070-0004, 94-0070-0005, 94-0070-0006, 94-0070-0007, 94-0070-0008, 94-0070-0001 and 94-0070-0002 all dated 28 August 1995, entered into between Shanghai Jin Jiang Real Estate Company (上海錦江房地產公司) (“Party A”) and Eastern Star Automobile Ltd. (東星汽車有限公司) (“Party B”), in respect of each of the residential units are as follows:

	Unit No.	Gross Floor Area (sq.m.)	Share of Land Area (sq.m.)
Block 16	101	108.91	135.30
	102	105.69	130.50
	201	108.91	113.90
	202	105.69	110.50
	301	108.54	113.50
	302	105.40	110.30
Block 24	2nd Level	169.54	177.40
	3rd Level	168.00	175.90

The property has been granted a State-owned land use term of 70 years commencing on 9 November 1994 and expiring on 8 November 2064, and planned for uses relating to 3-storey residential buildings.

3. According to the Right Certificates of Real Estate Ownership, Hu Fang Di Shi Zi (1998) Di Nos. 001584, 001585, 001586, 001587, 001588, 001589, 001590 and 001591 (房地產權證 – 滬房地市字 (1998)第001584, 001585, 001586, 001587, 001588, 001589, 001590 及 001591號) all dated 22 April 1998, issued by the Real Estate Registration Office of Shanghai Municipality, the 8 units have gross floor areas of 108.91 sq.m., 105.69 sq.m., 108.91 sq.m., 105.69 sq.m., 108.54 sq.m., 105.40 sq.m., 169.54 sq.m. and 168.00 sq.m. respectively, making up a total gross floor area of the 8 units of 980.68 sq.m. The land use term commenced on 9 February 1996 and will expire on 8 November 2064 for residential purposes. The title in respect of the property is vested in Eastern Star Automobile Ltd. (東星汽車有限公司) Each of the units has a share of land of 135.30 sq.m., 130.50 sq.m., 113.90 sq.m., 110.50 sq.m., 113.50 sq.m., 110.30 sq.m., 177.40 sq.m. and 175.90 sq.m. respectively.
4. We have relied on all the information as provided to us by the Group and the legal opinion of the Group’s PRC lawyers and we have prepared our valuation on the following bases:
- The Group is in possession of a legal title to the property and is entitled to transfer the property with the residual term of the land use right at no additional premium or other costs payable to the government.
 - All land and other premium as well as other costs relating to the provision of utilities and ancillary services have been completely settled.
 - The design, construction and completion of the buildings in which the subject residential units are located are in compliance with local planning regulations and have been approved by the relevant government authorities.
 - Our valuation of the property is based on the above-mentioned total gross floor area of the units of 980.68 sq.m.
 - Our valuation of the property is based on a 100 per cent attributable interest.
 - The property may be disposed of freely to purchasers within and outside the PRC.

5. The status of title of the property interest, as well as requisite approvals, consents, certificates, permits and licences relating to the development, use and sale of the property interest in accordance with information provided to us by the Group and the legal opinion of the Group's PRC lawyers are as follows:

Shanghai Municipality Commodity House Foreign Sales Pre-sale Contract (dated 7 December 1994)	– signed
Commodity House Foreign Sales Contracts (Nos. 94-0070-0003, 94-0070-0004, 94-0070-0005, 94-0070-0006, 94-0070-0007, 94-0070-0008, 94-0070-0001 and 94-0070-0002)	– signed
Certificates of Real Estate Ownership (Hu Fang Di Shi Zi (1998) Di Nos. 001584, 001585, 001586, 001587, 001588, 001589, 001590 and 001591)	– obtained

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2007
17.	No. 75 Haibin Fifth Road, Tianjin Port Free Trade Zone, Tanggu, Tianjin, People's Republic of China.	<p>The property comprises an industrial complex occupying a parcel of land at road level and having a frontage to Haibin Fifth Road and a return frontage to another road within the Tianjin Port Free Trade Zone in Tanggu, Tianjin. The complex consists of 3 single storey warehouses, a 3-storey showroom and office building as well as other structures such as a guard house and bunker facilities.</p> <p>The Tianjin Port Free Trade Zone is a large and established designated light industrial area which is an independent free trade zone comprising a number of industrial complexes and premises catering to a variety of trades some of which are occupied by well-known industrial companies, as well as some commercial premises such as shops, restaurants, banks, etc. catering to customers located and working in the area.</p> <p>The three warehouses comprising part of the property are used for the storage, preparation for delivery, maintenance and light repairs of new Mercedes Benz luxury cars whilst the office building is used partly for the display of Mercedes Benz cars and partly for administration and other purposes. There is a guardhouse located at the entrance to the enclosed property. Part fencing and part brick walls are erected along the boundaries of the site with the main entrance to the property secured with a foldable rolling metal gate. Ample private car parking is available within the curtilage of the property.</p> <p>The Group advised that the buildings were constructed and completed between 1999 and 2002 or thereabouts.</p>	<p>As at the date of valuation, a portion of the property having a total gross floor area of 16,425 sq.m. is subject to a five-year lease at a yearly rent of RMB6,792,650 commencing on 1 May 2006. There is an option for the tenant to renew the lease for another year. Please see Note 5 below for particulars of the lease.</p> <p>The Group advised that the remaining portion of the property is owner-occupied.</p>	RMB67,000,000

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2007
	According to copies of two Tianjin Certificates of Housing Ownership, which were provided to us, the total gross floor areas of the buildings, structure and facilities are 20,270.16 sq.m.		
	The property has a land area of 50,297.30 sq.m. and has been granted a land use term commencing on 21 January 1994 and expiring on 4 September 2042 for non- residential purposes.		

Notes:

1.
- According to the Tianjin Port Free Trade Zone Sales and Purchase Agreement dated 5 December 1994 entered into between Lei Shing Hong Development Ltd. (利星行發展有限公司) (“Party A”), now known as Lei Shing Hong Properties (China) Limited and Northern Star (Tianjin) Automobile Ltd. (北星(天津)汽車有限公司) (“Party B”), a 84% owned subsidiary of the Company, the land (Nos. 48, 49 and 50 of J Zone of Tianjin Free Trade Zone) has an area of 50,297.30 sq.m. with a lease term of 49 years commencing on 21 January 1994 and expiring on 4 September 2042 for international trade, warehouse and processed works with a consideration of US\$6,977,801.28.

For the first three years, the Tianjin Port Free Trade Zone land use fee in respect of the property would not be revised, however, this land use fee will be revised every 3 years but each revision period would not be less than three years.

2.
- According to the State-owned Land Use Certificate – Bao Guo Yong (95) Zi Di No. 0023 (國有土地使用證 – 保國用(95)字第0023號) dated 24 March 1995, issued by the People’s Government of Tianjin Municipality, the property has a land area of 50,297.30 sq.m. with a land use term commencing on 21 January 1994 and expiring on 4 September 2042 for international trade, warehouse and processed works.

According to the aforementioned Certificate, the title in respect of the property is vested in Northern Star (Tianjin) Automobile Ltd. (北星(天津)汽車有限公司).

3.
- According to the Certificate of Housing Ownership – Fang Quan Zheng Bao Shui Zi Di No. 150000040 (房屋所有權證 – 房權證保稅字第150000040號) dated 8 October 1999, issued by the Tianjin Municipal Real Estate Administration Bureau, the property is for office and warehouse purposes. The gross floor areas of the buildings are as follows:

Building No.	No. of Storey	Gross Floor Area (sq.m.)
1 (Office)	1	71.62
2 (Office)	3	1,694.78
3 (Warehouse)	1	6,400.16
Total		8,166.56

4. According to the Certificate of Housing Ownership dated 3 January 2003 issued by the Tianjin Municipal Real Estate Administration Bureau, the property has a total gross floor area of 20,270.16 sq.m. for non-residential use, details of which are listed as follows:

Building No.	No. of Storey	Gross Floor Area (sq.m.)
1 (Guard room) }	1	106.94
2 (Office) }	3	1,694.78
3 (Warehouse) } Non-residential	1	6,400.16
4-5 (Warehouse) }	1	12,025.08
6 (Bunker) }	1	43.20
Total		20,270.16

According to the aforementioned Certificate, the title in respect of the property is vested in Northern Star (Tianjin) Automobile Ltd. (北星(天津)汽車有限公司).

5. We have been provided with a copy of an Amendment Agreement Amending Lease Agreement for Warehouse in respect of a portion of the property entered into between Northern Star (Tianjin) Automobile Ltd. (the “Landlord”) and Mercedes-Benz (China) Ltd. (the “Tenant”). The initial term of the Lease starts on 1 May 2006 for 5 years with an option for the Tenant to renew for another year by notice in writing three months prior to expiration of the initial term of lease at the latest.

The gross floor area which is leased to the Tenant is 16,450 sq.m. with a total yearly rental of RMB6,829,150 payable in monthly instalments of RMB569,095.83. The management fee is RMB36,135 per month to be payable to the Landlord every month and shall be increased every calendar year. The following is the rent to be payable by the Tenant, and other particulars of the tenanted areas:

Property	Gross Floor Area (sq.m.)	Yearly Rent (RMB)
Storage space	15,400	6,464,150
Open area	1,000	292,000
Office area	50	73,000
Total	16,450	6,829,150

Any Party may transfer its rights or obligations under the aforementioned Tenancy Agreement to any third Party but only with the explicit prior written consent of the other Party. The Landlord may sell, transfer, assign, mortgage, use as a security or carry out any other disposal of the warehouse or of the site during the term of the lease. In case of such transfer or disposal, the Landlord must guarantee to the Tenant in writing prior to such transaction that the new Landlord will fulfil all its obligations under the Agreement as well as all the terms and conditions as stated in the Agreement.

6. We have relied on all the information as provided to us by the Group and have prepared our valuation on the following bases:
- The Group is in possession of a legal title to the property and is entitled to transfer the property with the residual term of the land use right at no additional premium or other costs payable to the government.
 - All land and other premium as well as other costs relating to the provision of utilities and ancillary services have been or will be completely settled.
 - The design, construction and completion of the buildings, structures and facilities are in compliance with local planning regulations and have been approved by the relevant government authorities.

- (iv) Our valuation of the property is based on the aforementioned land area and total gross floor areas of the buildings, etc. as well as the rent which is being received and which is based on the Amendment Agreement Amending Lease Agreement for Warehouse entered into between the Landlord and Tenant as mentioned above.
 - (v) Our valuation of the property is based on a 100 per cent attributable interest.
 - (vi) The property may be disposed of freely to purchasers within and outside the PRC.
7. The status of title of the property interest, as well as requisite approvals, consents, certificates, permits and licences relating to the development, use and sale of the property interest in accordance with information provided to us by the Group and the legal opinion of the Group's PRC lawyers are as follows:

Tianjin Port Free Trade Zone Sales and Purchase Agreement (dated 5 December 1994)	– signed
State-owned Land Use Certificate (Bao Guo Yong (95) Zi Di No. 0023)	– obtained
Certificate of Housing Ownership (Fang Quan Zheng Bao Shui Zi Di No. 150000040)	– obtained
Certificate of Housing Ownership (dated 3 January 2003)	– obtained
Amendment Agreement Amending Lease Agreement for Warehouse (1 May 2006)	– signed

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2007
18.	Units 1121-1126, 12th Floor, Block 1, Bo Ning Garden, No. 6 Zaoying North Lane, Chaoyang District, Beijing, People's Republic of China.	<p>The property comprises 6 residential units in Bo Ning Garden, a residential development situated in Chaoyang District in the city of Beijing and consisting of two 18-storey apartment buildings with car parking available on the ground floor within the curtilage of the development. The estate was completed in 1996 or thereabouts.</p> <p>Access to the estate is from Zaoying North Lane, one of the secondary roads in this part of the city. Developments in the surrounding areas comprise a mixture of medium-rise and high-rise residential properties and multi-storey commercial/office premises incorporating shopping complexes.</p> <p>The property comprises 6 apartments located on the same level (i.e. 12th Floor) of Block A of the estate and has a total gross floor area of 711.10 sq.m.</p> <p>The property has been granted a State-owned land use term commencing on 19 January 2000 and expiring on 22 September 2064 for residential purposes.</p>	As at the date of valuation, the six residential units comprising the property are occupied and used as staff quarters.	RMB11,000,000

Notes:

- According to the Real Estate Sales Title Deeds – Shi Jiao Wai Bo Ning Zi Di Nos. 0003, 0004, 0005, 0006, 0007 and 0008 (房地產賣契 – 市交外伯寧字第0003, 0004, 0005, 0006, 0007 及 0008號) all dated 19 January 2000, issued by Beijing Municipality Real Estate Exchange Bureau, the titles in respect of the six residential units with a gross floor area of 134.83 sq.m., 95.96 sq.m., 124.76 sq.m., 124.76 sq.m., 95.96 sq.m. and 134.83 sq.m. respectively were transferred to Northern Star (Tianjin) Automobile Ltd. (北星(天津)汽車有限公司), a 84% owned subsidiary of the Company.
- According to the Beijing Municipal Housing Registration List (Buildings) all dated 20 November 1996, the number of storey of Block 1 is 18 levels. The building was built in 1996.
- According to the Certificates of Housing Ownership – Jing Fang Quan Zheng Shi Chao She Wai Zi Di Nos. 1410003, 1410004, 1410005, 1410006, 1410007 and 1410008, (房屋所有權證 – 京房權證市朝涉外字第1410003, 1410004, 1410005, 1410006, 1410007 及 1410008號) all dated 28 November 2000, issued by the State-owned Land Resources and Housing Administration Bureau of Beijing Municipality, the six units have a total gross floor 711.10 sq.m. and each of the properties has a share of land of 11.62 sq.m., 8.27 sq.m., 10.75 sq.m., 10.75 sq.m., 8.27 sq.m. and 11.62 sq.m. respectively. The land use term commenced on 19 January 2000 and will expire on 22 September 2064, for residential purposes. The title in respect of the property is vested in Northern Star (Tianjin) Automobile Ltd. (北星(天津)汽車有限公司).

4. We have relied on all the information as provided to us by the Group and the legal opinion of the Group's PRC lawyers and we have prepared our valuation on the following bases:
- (i) The Group is in possession of a legal title to the property and is entitled to transfer the property with the residual term of the land use right at no additional premium or other costs payable to the government.
 - (ii) All land and other premium as well as other costs relating to the provision of utilities and ancillary services have been or will be completely settled.
 - (iii) The design, construction and completion of the buildings in which the subject residential units are located are in compliance with local planning regulations and have been approved by the relevant government authorities.
 - (iv) Our valuation of the property is based on the above-mentioned total gross floor area of the units.
 - (v) Our valuation of the property is based on a 100 per cent attributable interest.
 - (vi) The property may be disposed of freely to purchasers within and outside the PRC.
5. The status of title of the property interest, as well as requisite approvals, consents, certificates, permits and licences relating to the development, use and sale of the property interest in accordance with information provided to us by the Group and the legal opinion of the Group's PRC lawyers are as follows:

Real Estate Sales Title Deeds (Shi Jiao Wai Bo Ning Zi Di Nos. 0003, 0004, 0005, 0006, 0007 and 0008)	– obtained
Beijing Municipal Housing Registration Lists (Buildings) (all dated 20 November 1996)	– issued
Certificates of Housing Ownership (Jing Fang Quan Zheng Shi Chao She Wai Zi Di Nos. 1410003, 1410004, 1410005, 1410006, 1410007 and 1410008)	– obtained

				Market value in existing state as at 31 October 2007
	Property	Description and tenure	Particulars of occupancy	
19.	No. 19 Haitian Road, Dalian Free Trade Zone, Dalian, Liaoning Province, People's Republic of China.	<p>The property comprises a single storey showroom/office building with a mezzanine floor and an adjoining single storey industrial building both of which occupy a parcel of land which has a frontage to Haitian Road and a return frontage to Xi San Road in the Dalian Free Trade Zone about 40 minutes' driving distance from the commercial centre of the city of Dalian.</p> <p>The Dalian Free Trade Zone is an established designated light industrial area which is an independent free trade zone which comprises a number of industrial complexes and premises some of which are occupied by well-known industrial companies, as well as some commercial premises such as shops, restaurants, banks, etc. catering to customers located and working in the area.</p> <p>Part of the showroom and office building on ground floor is used partly for the display of new Mercedes Benz luxury cars and partly for office purposes whilst the mezzanine floor is occupied as executive offices and also used for administrative and miscellaneous purposes. The building adjoining the showroom/office building is used for vehicle servicing and maintenance as well as for storage purposes. There is a guardhouse which is located near the entrance of the enclosed property.</p>	As at the date of valuation, the property is subject to a tenancy at a total rent of RMB2,387,921.25 per annum. Please see Note 4 for particulars of the tenancy.	RMB31,950,000

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2007
	<p>The Group advised that the buildings were constructed and completed between 2004 and 2005 or thereabouts.</p> <p>Access to the maintenance and service areas of the property is from Haitian Road while access to the showroom and office is at Xi San Road. The property is enclosed with low bush fences along the lot boundaries with the entrances to the property secured with foldable rolling metal gates. Private car parking is available within the curtilage of the property.</p> <p>According to copies of the Certificates of Real Estate Ownership, which were provided to us, the total gross floor area of the property is 8,271.06 sq.m.</p> <p>According to the State-owned Land Use Certificate, the property has been granted a land use right for a term of 50 years from 1 October 2002 to 30 September 2052 for warehouse and showroom purposes.</p> <p>The land area occupied by the aforementioned buildings is 18,300.40 sq.m.</p>		

Notes:

1. According to the State-owned Land Use Right Sales Contract – Da Bao Di He Zi (2002) No. 19 (國有土地使用權出讓合同 – 大保地合字(2002)19號) (the “Sales Contract”), entered into between Dalian Free Trade Zone Land Administration Bureau of the People’s Republic of China (中華人民共和國大連保稅區土地管理局) and Northern Star (Dalian) Automobile Ltd. (北星(大連)汽車有限公司), a 84% owned subsidiary of the Company, dated 24 September 2002, the land (No. IB-42) has an area of 18,300.40 sq.m. for warehouse and showroom purposes with a land use term commencing on 1 October 2002 and expiring on 30 September 2052.

The consideration of the land is US\$35 per sq.m. which is based on a land area of 18,300.40 sq.m. and amounts to a total sum of US\$640,514. The land can be transferred, leased and mortgaged and is subject to the terms and conditions as stated in the Sales Contract.

2. According to the State-owned Land Use Certificate – Da Bao Guo Yong (2006) Di No. 14011 (國有土地使用證 – 大保國用(2006)第14011號) issued by the Dalian Free Trade Zone Administrative Committee of the People’s Government, the land (No. IB-42) has an area of 18,300.40 sq.m. with a lease term of 50 years expiring on 30 September 2052, for warehouse purpose.
3. According to the Certificates of Housing Ownership – Da Fang Quan Zheng Bao Shui Qu Zi Di Nos. 2006000604 and 2006000617 (房屋所有權證 – 大房權證保稅區至第2006000604 及 2006000617號) both dated 15 March 2006, the subject property has a total gross floor area of 8,271.06 sq.m. for showroom and warehouse uses. The title of the property is vested in Northern Star (Dalian) Automobile Ltd. (北星(大連)汽車有限公司).

The following is a breakdown of the gross floor areas of the showroom and office building and the warehouse in accordance with the aforementioned Certificates:

	Gross Floor Area (sq.m.)	Total Gross Floor Area (sq.m.)
Showroom and office building		
1st Level	1,556.94	
1st Mezzanine Level	527.76	
2nd Mezzanine Level	80.48	2,165.18
Services, maintenance and storage warehouse		
1st Level	5,759.51	
Mezzanine Level	311.87	
Guard room	34.50	6,105.88
		8,271.06

4. We have been provided with a copy of an Amendment Agreement Amending Lease Agreement for Warehouse in respect of a portion of the property entered into between Northern Star (Dalian) Automobile Ltd. (the “Landlord”) and Mercedes-Benz (China) Ltd. (the “Tenant”). The initial term of the Lease starts on 1 May 2006 for 5 years with an option for the Tenant to renew for another year by notice in writing three months prior to expiration of the initial term of the lease at the latest.

The gross floor area which is leased to the Tenant is 5,680 sq.m. with a total yearly rental of RMB2,387,921.25 payable in monthly instalments of RMB198,993.44. The management fee is RMB12,456.40 per month to be payable to the Landlord every month and shall be increased every calendar year. The following is the rent to be payable by the Tenant, and other particulars of the tenanted areas:

Property	Gross Floor Area (sq.m.)	Yearly Rent (RMB)
Storage space	5,115	2,147,021.25
Open area	500	146,000.00
Office area	65	94,900.00
Total	5,680	2,387,921.25

Any Party may transfer its rights or obligations under the aforementioned Tenancy Agreement to any third Party but only with the explicit prior written consent of the other Party. The Landlord may sell, transfer, assign, mortgage, use as security or carry out any other disposal of the warehouse or of the site during the term of the lease. In case of such transfer or disposal, the Landlord must guarantee to the Tenant in writing prior to such transaction that the new Landlord will fulfill all its obligations under the Agreement as well as all the terms and conditions as stated in the Agreement.

5. We have relied on all the information as provided to us by the Group and the legal opinion of the Group’s PRC lawyers and we have prepared our valuation on the following bases:
- (i) The Group is in possession of a legal title to the property and is entitled to transfer the property with the residual term of the land use right at no additional premium or other costs payable to the government.

- (ii) All land and other premium as well as other costs relating to the provision of utilities and ancillary services have been or will be completely settled.
 - (iii) The design, construction and completion of the buildings and structures are in compliance with local planning regulations and have been approved by the relevant government authorities.
 - (iv) Our valuation of the property is based on the aforesaid land area and gross floor areas of the buildings and structures as well as the rent which is being received and which are based on the Amendment Agreement Amending Lease Agreement for Warehouse entered into between the Landlord and Tenant as mentioned above.
 - (v) Our valuation of the property is based on a 100 per cent attributable interest.
 - (vi) The property may be disposed of freely to purchasers within and outside the PRC.
6. The status of title of the property interest, as well as requisite approvals, consents, certificates, permits and licences relating to the development, use and sale of the property interest in accordance with information provided to us by the Group and the legal opinion of the Group's PRC lawyers are as follows:

State-owned Land Use Right Sales Contract (Da Bao Di He Zi (2002) No. 19)	– signed
State-owned Land Use Certificate (Da Bao Guo Yong (2006) Di No. 14011)	– obtained
Certificates of Real Estate Ownership (Da Fang Quan Zheng Bao Shui Qu Zi Di Nos. 2006000604 and 2006000617)	– obtained
Amendment Agreement Amending Lease Agreement for Warehouse (dated 1 May 2006)	– signed

			Market value in existing state as at 31 October 2007
Property	Description and tenure	Particulars of occupancy	
20. Land situated at Nos. 508 – 516, Huabei Road, Nanguanling Village, Ganjingzi District, Dalian, Liaoning Province, People's Republic of China.	<p>The property comprises a parcel of vacant land situated at Huabei Road in Ganjingzi District in the city of Dalian, a major import and export seaport located at the southern tip of Liaoning Province. The land is located south-east of and quite close to the Zhoushuizi International Airport and north-west of the commercial centre of the city.</p> <p>The land is relatively level and is easily accessible from Huabei Road, one of the main roads in the city.</p> <p>The total land area is 8,891.70 sq.m. The property is subject to a land use right term of 40 years commencing on 21 May 2007, the date of signing of the State-owned Land Use Right Sales Contract, for commercial purposes.</p>	As at the date of valuation, the property is vacant and held for future development. As at the date of valuation, the Group does not have an existing plan for the development of the property.	RMB7,950,000

Notes:

- The salient conditions of the Agreement entered into between Dalian Bei Shi Qi Che Cheng Development Co. Ltd. (大連北市汽車城發展有限公司) (“Party A”) and Mandarin Star Holding Ltd. (中星集團有限公司) (“Party B”), a 100% owned subsidiary of the Company, dated 4 August 2006 are as follows:
 - Party A agrees to supply the land situated at No. 5 Zone A of North City Vehicle Park, which has an area of 9,000 sq.m. (estimated) with a land use term of 40 years commencing on the date as shown on the State-owned Land Use Certificate when the land has been converted to State-owned land and officially transferred to Party B.
 - The property is capable of being developed as a “3S” Mercedes Benz Shop with other related commercial facilities with a gross floor area of 6,900 sq.m., for commercial purposes.
- The salient conditions of the State-owned Land Use Right Sales Contract No. GF-2000-2601, entered into between People's Republic of China Liaoning Province Dalian Municipality State-owned Land Resources and Housing Bureau (the “Seller”) and Lei Shing (Dalian) Automobile Service Co. Ltd. (利星(大連)汽車服務有限公司) (the “Purchaser”), a 100% owned subsidiary of the Company, dated 21 May 2007 are as follows:
 - The property has a land area of 8,891.70 sq.m. with a land use term of 40 years from the date of signing of this Contract. The consideration of the land is RMB5,050,486 which translates to a price on gross floor area of RMB710 per sq.m.
 - The property can be transferred, leased or mortgaged according to the terms and conditions as stated in the aforementioned Contract.
- The salient condition of the Supplementary Agreement entered into between Dalian Bei Shi Qi Che Cheng Development Co. Ltd. (大連北市汽車城發展有限公司) (“Party A”) and Lei Shing (Dalian) Automobile Service Co. Ltd. (利星(大連)汽車服務有限公司) (“Party B”) dated 10 May 2007, states that Party A shall hand over the land to Party B (the wholly-owned subsidiary of Mandarin Star Holding Ltd. (中星集團有限公司)) in accordance with the terms and conditions as stated in the above-mentioned Agreement.

4. We have relied on all the information as provided to us by the Group and the legal opinion of the Group's PRC lawyers and we have prepared our valuation on the following bases:
- (i) Subject to obtaining the State-owned Land Use Right Certificate, the Group shall be in possession of a legal title to the property and shall be entitled to transfer the property with the residual term of the land use right at no additional premium or other costs payable to the government.
 - (ii) All land and other premium as well as other costs relating to the provision of utilities and ancillary services have been or will be completely settled.
 - (iii) Our valuation of the property is of the land with development potential and is based on the aforementioned land area.
 - (iv) No account is taken in our valuation of any land premium or other premium which might be payable upon development of the property in due course.
 - (v) No account is taken in our valuation of any penalty which may be imposed for the delay in the development of the land.
 - (vi) The design of any proposed building to be erected on the land shall be in compliance with local planning regulations and the construction and eventual completion of the building shall be approved by the relevant government authorities in due course.
 - (vii) Our valuation of the property is based on a 100 per cent attributable interest.
 - (viii) The property may be disposed of freely to purchasers within and outside the PRC.
5. The status of title of the property interest, as well as requisite approvals, consents, certificates, permits and licences relating to the development, use and sale of the property interest in accordance with information provided to us by the Group and the legal opinion of the Group's PRC lawyers are as follows:
- | | |
|--|----------|
| Agreement
(dated 4 August 2006) | – signed |
| Supplementary Agreement
(dated 10 May 2007) | – signed |
| State-owned Land Use Right Sales Contract
(dated 21 May 2007) | – signed |

			Market value in existing state as at 31 October 2007
Property	Description and tenure	Particulars of occupancy	
21. Industrial premises situated at 5 and 12 Zu, Helin Village, Longtan City Industry Concentrate Development Zone, Chenghua District, Chengdu, Sichuan Province, People's Republic of China.	<p>The property comprises a piece of land upon which an industrial building is being developed. The property is situated in Helin Village within Longtan City Industry Concentrate Development Zone about 30 minutes' driving distance from the north-east of the city of Chengdu, the capital of Sichuan Province.</p> <p>The property is currently under development with the construction of the building having reached superstructure level. Internal finishes and decorations are being undertaken while external site works and related works are in progress.</p> <p>The land is relatively level and has an area of 19,676.42 sq.m. The property is subject to a land use right for a term of 50 years expiring on 12 July 2056, for industrial purposes.</p>	<p>As at the date of valuation, the building in the area relating to Phase I of the land is under construction and the super-structure of the building is anticipated to be completed in the first quarter of 2008.</p> <p>As at the date of valuation, the Group does not have an existing plan for the development of the remaining area of the land.</p>	RMB19,900,000

Notes:

- The salient conditions of the State-owned Land Use Right Sales Contract – No. 5101 Cheng (2006) Chu Rang He Tong Di No. 27 (國有土地使用權出讓合同 – 5101成(2006)出讓合同第27號) entered into between People's Republic of China Sichuan Province Chengdu Municipality State-owned Land Resources Bureau (中華人民共和國四川省成都市國土資源局) (the "Seller") and Teamwell (Chengdu) Automobile Service Co. Ltd. (天威(成都)汽車服務有限公司) (the "Purchaser"), a 100% owned subsidiary of the Company, dated 13 July 2006 are as follows:

 - The property has a land area of 19,676.42 sq.m. with a land use term of 50 years from the date of signing of this Contract.
 - The consideration of the land is RMB100 per sq.m. which amounts to a sum of RMB1,967,642.
 - The Purchaser agrees to commence construction works before 20 December 2006.
 - After the State-owned Land Use Certificate has been obtained, the property can be transferred, leased or mortgaged according to the terms and conditions as stated in the Contract.
- According to the State-owned Land Use Certificate – Cheng Guo Yong (2006) Di No. 790 (國有土地使用證 – 成國用(2006)第790號) dated 28 August 2006, issued by the People's Government of Chengdu Municipality, the land has an area of 19,676.42 sq.m. with a land use term of 50 years expiring on 12 July 2056, for industrial purposes. The title in respect of the property is vested in Teamwell (Chengdu) Automobile Service Co. Ltd. (天威(成都)汽車服務有限公司).

The surrounding areas in relation to the four boundaries of the property are Nan Zhi Yi Qu Green Belt to the east, 3rd Ring Road Green Belt to the west, Longtan Industrial Park Green Belt Line A to the south and Administrative Committee Office of Longtan City Industry Concentrate Development Zone of Chengdu to the north.

3. According to the Construction Project Works Permit No. X510100200707300201 (建築工程施工許可證 – 編號X510100200707300201), Phase 1 of the property has a gross floor area of 3,249.21 sq.m. while the completion date is 30 July 2007.
4. We have relied on all the information as provided to us by the Group and the legal opinion of the Group's PRC lawyers and we have prepared our valuation on the following bases:
 - (i) The Group is in possession of a legal title to the property and is entitled to transfer the property with the residual term of the land use right at no additional premium or other costs payable to the government.
 - (ii) All land and other premium as well as other costs relating to the provision of utilities and ancillary services have been or will be completely settled.
 - (iii) Our valuation of the property is based on the aforementioned land area and the total gross floor area of the development being built on the land.
 - (iv) No account is taken in our valuation of any land premium or other premium which might be payable upon development of the property.
 - (v) We are advised by the Group that the estimated total cost of completing Phase 1 of the development is RMB10,000,000 and the anticipated completion date is in the first quarter of 2008.
 - (vi) The estimated value after Phase 1 of the development has been completed is RMB22,500,000.
 - (vii) According to the State-owned Land Use Right Sales Contract, the consideration in respect of the land is RMB1,967,642 whilst the total construction and related costs, as at the date of valuation, are RMB8,800,000 for Phase 1.
 - (viii) The design of the building being erected on the land shall be in compliance with local planning regulations and the construction and eventual completion of the building shall be approved by the relevant government authorities in due course.
 - (ix) Our valuation of the property is based on a 100 per cent attributable interest.
 - (x) The property may be disposed of freely to purchasers within and outside the PRC.
5. The status of title of the property interest, as well as requisite approvals, consents, certificates, permits and licences relating to the development, use and sale of the property interest in accordance with information provided to us by the Group and the legal opinion of the Group's PRC lawyers are as follows:

State-owned Land Use Right Sales Contract (No. 5101 Cheng (2006) Chu Rang He Tong Di No. 27)	– signed
State-owned Land Use Certificate (Cheng Guo Yong (2006) Di No. 790)	– obtained
Construction Project Planning Permit (Cheng Gui Jian Zhu (2007) No. 228)	– obtained
Construction Project Works Permit (No. K510100800707300201)	– obtained

			Market value in existing state as at 31 October 2007
Property	Description and tenure	Particulars of occupancy	
22. No. 6 Wenhua Yuan East Road, Beijing International Automobile Exhibition Centre, Beijing Economic and Technological Development Area, Beijing, People's Republic of China.	<p>The property comprises light industrial premises consisting of a single storey building incorporating a 2-storey adjoining building with a basement. The buildings occupy a parcel of land which has an area of 8,432.70 sq.m.</p> <p>This industrial area is located to the south-east of Beijing and about 30 minutes' driving distance from the City centre and about 35 minutes' drive from Beijing International Airport. The area is popular among car manufacturers and dealers which use their premises for the display, storage, repair and maintenance of motor vehicles.</p> <p>The single storey building is currently used for the storage of Mercedes Benz cars with the adjoining 2-storey building used partly as ancillary offices and partly for other purposes such as storage of motor vehicles and spare parts, for car repairs, maintenance and washing, etc. There is a small canteen for staff use located on the 2nd level of the adjoining building. The basement accommodates an electric generator room and a boiler room.</p> <p>According to a copy of the Certificate of Real Estate Ownership, which was provided to us, the total gross floor area of the buildings is 5,442.96 sq.m.</p> <p>According to the People's Republic of China State-owned Land Use Certificate, the total site area occupied by the development is 8,432.70 sq.m.</p> <p>The property has been granted a State-owned land use right for a term expiring on 21 March 2052, for industrial use.</p>	As at the date of valuation, the property is owner-occupied.	RMB32,350,000

Notes:

1. According to the People’s Republic of China State-owned Land Use Certificate – Kai Gang Ao Tai Guo Yong (2004) Zi Di No. 9 (國有土地使用證 – 開港澳台國用(2004)字第9號) dated 25 July 2004 issued by the People’s Government of Beijing Municipality, the land has an area of 8,432.70 sq.m. with a land use term as stated in the aforesaid Certificate, which will expire on 21 March 2052, for industrial use. The title in respect of the property is vested in Mandarin Star Holding Ltd. (中星集團有限公司), a 100% owned subsidiary of the Company.
2. According to the Certificate of Housing Ownership – Jing Fang Quan Zheng Kai Gang Ao Tai Zi Di No. 00036 (房屋所有權證 – 京房權證開港澳台字第00036號) dated 21 December 2004, the building has a gross floor area of 5,442.96 sq.m. for industrial use. The title in respect of the property is vested in Mandarin Star Holding Ltd. (中星集團有限公司).

The following is a breakdown in the gross floor areas of the buildings:

1st and 2nd Levels	5,096.40 sq.m.
Basement	346.56 sq.m.
Total	<u>5,442.96 sq.m.</u>

3. We have relied on all the information as provided to us by the Group and the legal opinion of the Group’s PRC lawyers and we have prepared our valuation on the following bases:
 - (i) The Group is in possession of a legal title to the property and is entitled to transfer the property with the residual term of the land use right at no additional premium or other costs payable to the government.
 - (ii) All land and other premium as well as other costs relating to the provision of utilities and ancillary services have been or will be completely settled.
 - (iii) The design, construction and completion of the buildings are in compliance with local planning regulations and have been approved by the relevant government authorities.
 - (iv) Our valuation of the property is based on the above-mentioned land area and total gross floor area of the building.
 - (v) We are advised by the Group that the consideration in respect of the land is HK\$8,799,408.
 - (vi) Our valuation of the property is based on a 100 per cent attributable interest.
 - (vii) The property may be disposed of freely to purchasers within and outside the PRC.
4. The status of title of the property interest, as well as requisite approvals, consents, certificates, permits and licences relating to the development, use and sale of the property interest in accordance with information provided to us by the Group are as follows:

People’s Republic of China State-owned Land Use Certificate (Kai Gang Ao Tai Guo Yong (2004) Zi Di No. 9)	– obtained
People’s Republic of China Certificate of Real Estate Ownership (Jing Fang Quan Zheng Kai Gang Ao Tai Zi Di No. 00036)	– obtained

			Market value in existing state as at 31 October 2007
Property	Description and tenure	Particulars of occupancy	
23. Property situated at Hailar West Street, Lifeng Automobile Cultural Plaza, Hohhot, Inner Mongolia Autonomous Region, People's Republic of China.	<p>The property comprises a two-storey building with a mezzanine floor, occupying a parcel of land which has a frontage to Hailar West Street in the city of Hohhot, the capital of Inner Mongolia Autonomous Region. The commercial centre of the city is located to the southeast of the property. Domestic air flights from Hohhot can reach Beijing, Shanghai and 20 other major cities.</p> <p>The property is currently used as a showroom for Mercedes Benz cars with ancillary offices as well as workshops for car service, etc.</p> <p>The area of the land in respect of the property is 6,409.70 sq.m. The property has been granted a State-owned land use for a term expiring on 28 April 2043 for commercial purposes.</p>	As at the date of valuation, the property is owner-occupied.	RMB5,100,000

Notes:

1. According to the State-owned Land Use Certificate – Hu Guo Yong (2005) Di No. 01422 (國有土地使用證 – 呼國用(2005)第01422號) dated 29 December 2005, issued by the People's Government of Huhhot Municipality, the land has an area of 6,409.70 sq.m. with a land use term expiring on 28 April 2043, for commercial purposes. The title in respect of the property is vested in Mandarin Star Holding Ltd. (中星集團有限公司), a 100% owned subsidiary of the Company.
2. We have relied on all the information as provided to us by the Group and the legal opinion of the Group's PRC lawyers and we have prepared our valuation on the following bases:
 - (i) The Group is in possession of a legal title to the land and is entitled to transfer the land with the residual term of the land use right at no additional premium or other costs payable to the government.
 - (ii) All land and other premium as well as other costs relating to the provision of utilities and ancillary services have been or will be completely settled.
 - (iii) The design, construction and completion of the building are in compliance with local planning regulations and have been approved by the relevant government authorities.
 - (iv) Our valuation of the property is based on the above-mentioned land area.
 - (v) Our valuation is of the land which has been issued with a State-owned Land Use Certificate. As the building occupying the land has not been issued with a Certificate of Real Estate Ownership, we have not attributed a market value on the building which is for the Company's own use.

- (vi) We are advised by the Group that the consideration in respect of the land is RMB4,799,793.
 - (vii) Our valuation of the property is based on a 100 per cent attributable interest.
 - (viii) The property may be disposed of freely to purchasers within and outside the PRC.
3. The status of title of the property interest, as well as requisite approvals, consents, certificates, permits and licences relating to the development, use and sale of the property interest in accordance with information provided to us by the Group and the legal opinion of the Group's PRC lawyers are as follows:

State-owned Land Use Certificate	– obtained
(Hu Guo Yong (2005) Di No. 01422)	

			Market value in existing state as at 31 October 2007
Property	Description and tenure	Particulars of occupancy	
24. No. 2 East Laiguangying Road, Chaoyang District, Beijing, People's Republic of China.	<p>The property comprises industrial buildings which are erected on a parcel of land having a frontage to Laiguangying Road in Chaoyang District in the city of Beijing. This area of Beijing is about 20 minutes' driving distance to the airport.</p> <p>The industrial premises comprise low-rise buildings which are used as showrooms for Mercedes Benz cars with ancillary offices as well as workshops for car repairs, after-sales services, etc.</p> <p>The land in respect of the property is paved and fenced and there is ample car parking space within the curtilage of the property. The land has an area of 6,053 sq.m.</p> <p>The total gross floor area of the buildings is 1,747.20 sq.m.</p>	As at the date of valuation, the property is subject to a joint-venture details of which are stated in Note 1 below.	No commercial value

Notes:

- The salient conditions of the Joint-venture Agreement dated 18 July 1997 entered into between Beijing Star Automobile Service Co. Ltd. (北京平治汽車服務有限公司) (“Party A”), a 80% owned subsidiary of the Company and Beijing City Tian Yang Jiu Xing Service Group (北京市天陽九星服務集團) (“Party B”) are as follows:

Period of Joint-venture

- Party A and Party B both agreed that the time limit for the joint-venture is 20 years from the valid date of this Agreement;

Form of Joint-venture

- By virtue of their relationship in the Joint-venture, both parties mutually agree not to set up any other joint-venture company;
- All the day to day decisions relating to the joint-venture activities shall be made by Party A whilst Party B shall provide all the necessary assistance relating to the joint-venture operation;

Conditions of Joint-venture

- Party A shall provide all the capital, equipment, techniques and workforce for the joint-venture;
- Party B shall provide the land which has an area of 6,053 sq.m. and the warehouses which have a total gross floor area of 1,747.20 sq.m.

Alteration of the warehouse

- (vi) According to the Joint-venture's necessity, Party A shall draw up the modification schemes for the workshop and assume all the alteration costs of the warehouses and specifically carry out the works;
- (vii) Party B shall apply for all the necessary certificates and permits relating to all matters concerning the property with the relevant government departments in order to comply with the government's ordinances as well as obtain its superior unit's approval. Party B shall be responsible for all the aforementioned applications and shall also bear all the costs or fees in connection with the applications.

The necessary procedure for the Joint-venture

- (viii) Party B shall provide all the necessary documents in order to assist Party A to process the change of use of the property and all the related procedures for the special trade permit of the joint-venture.

Distribution of Joint-venture benefits

- (ix) For the first five years, Party B is entitled to a yearly sum of RMB400,000 whilst for the 6th to 10th years Party B is entitled to a yearly sum of RMB432,000. For the 11th to 15th years, Party B is entitled to a yearly sum of RMB464,000 whilst for the 16th to 20th years, Party B is entitled to a yearly sum of RMB496,000. The rest of the benefits shall be for the account of Party A.

Party B is not permitted to transfer or mortgage the Joint-venture site or carry out the same type of business on the subject site.

Change of circumstances

- (x) The Joint-venture Agreement shall automatically cease as a result of the provisions of government's ordinances which lead to the demolition of the warehouses or the suspension of the Joint-venture operation. In such an event, Party A shall reclaim any equipment and materials in the warehouses that Party A considers a necessity to reclaim.

Expiration of Joint-venture

- (xi) Upon expiration of the Joint-venture, Party A can reclaim all the equipment and the warehouses on the site shall revert to Party B in good condition.

Terms of guarantee by Party B

- (xii) Party B guarantees that the land and warehouse which are provided to Party A, are for Party B's legal use and are granted by its superior, State-operated Dong Jiao Farm (東郊農場), which confirmed the Joint-venture by its chop on the Agreement.
- (xiii) In order to guarantee that Party B has fully abided by the terms of the Joint-venture Agreement, the State-operated Dong Jiao Farm (東郊農場) volunteered to be the irrevocable guarantor of Party B's responsibilities until the expiry date of the Joint-venture or two years after the cessation of the Joint-venture.

2. We have relied on all the information as provided to us by the Group and the legal opinion of the Group's PRC lawyers and we have prepared our valuation on the following bases:
- (i) Dong Jiao Farm (東郊農場), the State-operated Unit that guarantees the legal status of Party B has legal title to the property whereas Party A only has the right to use the premises by virtue of the Joint-venture Agreement. On this basis, the right to the transfer of the property belongs to Dong Jiao Farm (東郊農場).
 - (ii) On the basis of (i) above and in view of the fact that Party A is not in possession of a legal title to the property, no commercial value is attributable to the property for Party A.
3. The status of title of the property interest, as well as requisite approvals, consents, certificates, permits and licences relating to the development and use of the property interest in accordance with information provided to us by the Group and the legal opinion of the Group's PRC lawyers are as follows:

Joint-venture Agreement

– signed

(Please refer to Note 1 above)

			Market value in existing state as at 31 October 2007
Property	Description and tenure	Particulars of occupancy	
25. No. 54 Harbin Road, Sifang District, Qingdao, Shandong Province, People's Republic of China.	<p>The property comprises two industrial buildings occupying a parcel of land which has a frontage to Harbin Road in Sifang District in the city of Qingdao, a major deep water seaport located on the eastern coast of Shandong Province. This area of Qingdao in which the property is located is about 15 minutes' driving distance to the commercial centre of the city.</p> <p>The industrial premises comprise a modern 3-storey main building which is used partly as a showroom for Mercedes-Benz cars and partly for administrative purposes. The adjacent ancillary buildings accommodate workshops for after-sales services, etc.</p> <p>The land in respect of the property is paved and fenced and there is ample car parking space within the curtilage of the property. The land has an area of 8,400 sq.m.</p>	As at the date of valuation, the property is subject to a land lease, details of which are stated in Note 1 below.	No commercial value

Notes:

1. The salient conditions of the Improved Land Lease Contract dated 6 May 1996 entered into between Qingdao Shuang Shan Industrial Trading Main Company (青島雙山工貿總公司) (“Party A”) and Qingdao Star Automobile Service Co. Ltd. (青島之星汽車服務有限公司) (“Party B”), a 100% owned subsidiary of the Company, are as follows:
 - (i) Party A and Party B both agreed that Party B leases the land from Party A, which has an area of 8,400 sq.m.
 - (ii) Out of the above-mentioned land area of 8,400 sq.m., a portion of the land having an area of 4,725 sq.m. has been leased to Party B with the lease term commencing on 6 May 1996 whilst the remaining portion of the land amounting to an area of 3,675 sq.m. was leased to Party B with the lease term commencing on 1 October 1997. The aforementioned two leases shall expire on 31 December 2026.
 - (iii) The rental for 1996 to 1997 is based on the actual area which is leased to Party B and is calculated on a daily basis. The rental for the whole piece of land is US\$4.38 per sq.m. per annum including the land use fee for the first five years. Beginning from 2002, the basic rental will be increased every five years by 5%, 10%, 15%, 20% and 25%. Payment of the rent is according to the middle rate of the Renminbi as regulated by the State Administration of Foreign Exchange.
 - (iv) The aforesaid property which is leased to Party B is for Party B to set up the Qingdao Star Automobile Service Co. Ltd. (青島之星汽車服務有限公司) and the property cannot be rented out to any third party during the lease period.

- (v) Party A shall assist Party B to demolish the old buildings and construct the new building with ancillaries on the leased land as well as undertake all the related construction works procedures and apply for the documents with the relevant government departments. All the charges which are incurred as a result of the applications shall be borne by Party B.
 - (vi) According to the National stipulation, upon expiration of the Lease, the land and the buildings on the land as well as the electrical installations shall belong to Party A without consideration and the remaining items shall belong to Party B.
 - (vii) If Party B wishes to renew the Lease, Party B has priority to lease the property but has to give notice to Party A 180 days in advance and sign the new contract through negotiations between both parties.
2. We have relied on all the information as provided to us by the Group and the legal opinion of the Group's PRC lawyers and we have prepared our valuation on the following bases:
- (i) As mentioned above, Party B leases the land from Party A and it (Party B) does not have an interest in the property but is only entitled to use the land and the buildings on it for its own purposes.
 - (ii) On the basis of (i) above and in view of the fact that Party B is not in possession of a legal title to the land, no commercial value is attributable to the property for Party B.
3. The status of title of the property interest, as well as requisite approvals, consents, certificates, permits and licences relating to the development and use of the property interest in accordance with information provided to us by the Group and the legal opinion of the Group's PRC lawyers are as follows:

Improved Land Lease Contract
(dated 6 May 1996)

– signed

				Market value in existing state as at 31 October 2007
Property	Description and tenure	Particulars of occupancy		
26. No. 60-1 Gongye South Road, Lixia District, Jinan, Shandong Province, People's Republic of China.	<p>The property comprises four industrial buildings and ancillary buildings which are erected on a parcel of land having a frontage to Gongye Road in Lixia District in the city of Jinan, the capital of Shandong Province, which is rich in historical and cultural relics. The area in which the property is located is about 35 minutes' driving distance to Jinan International Airport (Yao Qiang Airport).</p> <p>The industrial premises comprise low-rise buildings which are used as showrooms for Mercedes Benz cars with ancillary offices as well as workshops for car repairs, after-sales services, etc.</p> <p>The land in respect of the property is paved and fenced and there is ample car parking space within the curtilage of the property. The land has an area of 13,360 sq.m.</p> <p>The total gross floor area of the buildings is 4,886.23 sq.m.</p>	As at the date of valuation, the property is subject to a lease details of which are stated in Note 1 below.		No commercial value

Notes:

1. The salient conditions of the Land Lease Contract dated 10 September 2000 entered into between Jinan Hua Da Enterprise Holding Company (濟南華達企業集團總公司) ("Party A") and Jinan Star Automobile Repair & Service Co. Ltd. (濟南之星汽車維修服務有限公司) ("Party B"), a 100% owned subsidiary of the Company, are as follows:
 - (i) Party A and Party B both agreed that Party B leases the land from Party A, which has an area of 13,360 sq.m.
 - (ii) The lease term commenced on 1 January 1996 and will expire on 31 December 2025.
 - (iii) Beginning from 2001, the rental for the first five years is RMB200,000 per annum. The basic rental will be increased every five years by 5%, 10%, 15%, 20% and 25%. The total rental for the aforesaid 30 years is RMB6,750,000.
 - (iv) The rent has to be paid in advance in one lump sum annually and if Party B pays the 30 years rental at one time in advance, Party A agreed to settle it at 75% of the total amount of the rent.
 - (v) The aforesaid property which is leased to Party B is for Party B to set up the Jinan Star Automobile Repair & Service Co. Ltd. and the property cannot be rented out to any third party during the lease period.
 - (vi) Party A shall assist Party B to apply for all the related construction works procedures with the relevant government departments. All the charges which are incurred as a result of the applications shall be borne by Party B.

- (vii) Party A shall assist Party B to demolish the old buildings and construct the new building with ancillaries on the leased land as well as apply for all the related construction works procedures with the relevant government departments. All the charges which are incurred as a result of the applications shall be borne by Party B.
- (viii) After the expiration of the Lease, the land and the buildings on the land as well as the electrical installations shall belong to Party A without consideration and the remaining items shall belong to Party B.
- (ix) If Party B wishes to renew the Lease, Party B has priority to lease the property but has to give 180 days notice in advance to Party A and sign the new contract through negotiations between both parties.
2. According to the Certificate of the Housing Ownership – Ji Fang Quan Zheng Li Xie Zi Di No. 057538 (房屋所有權證 – 濟房權證曆涉字第057538號) dated 29 November 2001, issued by the Real Estate Administration Bureau of Jinan Municipality, the property has four 1 to 2-storey high industrial buildings which have a total gross floor area of 4,886.23 sq.m. for industrial purposes.
3. We have relied on all the information as provided to us by the Group and the legal opinion of the Group's PRC lawyers and we have prepared our valuation on the following bases:
- (i) As mentioned above, Party B leases the land from Party A and it (Party B) does not have an interest in the land but is only entitled to use the land and the buildings on it for its own purposes.
- (ii) On the basis of (i) above and in view of the fact that Party B is not in possession of a legal title to the land although it has the Real Estate Ownership Certificate for the buildings, no commercial value is attributable to the property for Party B.
4. The status of title of the property interest, as well as requisite approvals, consents, certificates, permits and licences relating to the development and use of the property interest in accordance with information provided to us by the Group and the legal opinion of the Group's PRC lawyers are as follows:
- | | |
|--|------------|
| Land Lease Contract
(dated 10 September 2000) | – signed |
| Certificate of Housing Ownership
(Ji Fang Quan Zheng Li Xie Zi Di No. 057538) | – obtained |

				Market value in existing state as at 31 October 2007
	Property	Description and tenure	Particulars of occupancy	
27.	No. 201 Zhongnan Road, Zhongshan District, Dalian, Liaoning Province, People's Republic of China.	<p>The property comprises a 4-storey industrial building which occupies two parcels of land each having a frontage to Zhongnan Road in the city of Dalian, a major import and export seaport located at the southern tip of Liaoning Province. The building is believed to have been built in 1998 or thereabouts.</p> <p>The property is currently used as a showroom for Mercedes Benz cars with ancillary offices as well as storage and workshops for car repairs, etc.</p> <p>One of the two parcels of land has an area of 3,174.50 sq.m. and is for commercial service purposes whilst the other piece of land has an area of 3,338.60 sq.m. and is for industrial purposes. The total area of the two parcels of land is therefore 6,513.10 sq.m. The first piece of land has a land use term of 40 years whilst the other parcel of land has a land use term of 50 years.</p> <p>The gross floor area of the building is 5,607.09 sq.m.</p>	As at the date of valuation, the property is owner-occupied.	RMB27,500,000

Notes:

1. The salient conditions of the State-owned Land Use Right Sales Contract (國有土地使用權出讓合同) dated 5 January 2005 entered into between People's Republic of China Liaoning Province Dalian Municipality State-owned Land Resources and Housing Bureau (中華人民共和國遼寧省大連市國土資源和房屋局) ("Party A") and Dalian Star Automobile Service Co. Ltd. (大連中星汽車服務有限公司) ("Party B"), a 63% owned subsidiary of the Company, are as follows:
 - (i) The total area of the two parcels of land is 6,513.10 sq.m. with one parcel having an area of 3,174.50 sq.m. and is for commercial service purposes whilst the other piece of land having an area of 3,338.60 sq.m. is for industrial purposes. The first piece of land has a land use term of 40 years whilst the second parcel of land has a land use term of 50 years commencing on the date of signing this Contract.
 - (ii) Use of the property is for commercial service and industrial purposes.
 - (iii) The price of the land is RMB1,570 per sq.m. for commercial service purposes and RMB630 per sq.m. for industrial purposes, both prices making up a total consideration of the land of RMB5,536,246.
 - (iv) The building which is constructed on the land has to comply with the following requirements:
 - (a) Use of the building is for commercial service and industrial purposes.

- (b) The gross floor area for commercial service purposes is 2,131.68 sq.m. and for industrial purposes is 3,475.41 sq.m. which make up a total gross floor area of 5,607.09 sq.m.
- (v) The property can be transferred, leased and mortgaged according to the terms and conditions as stated in the above-mentioned Contract.
2. According to the State-owned Land Use Certificates – Da Guo Yong (2005) Zi Di No. 01023 (國有土地使用證 – 大國用(2005)字第01023號) and Da Guo Yong (2005) Zi Di No. 01024 (國有土地使用證 – 大國用(2005)字第01024號) both dated 16 April 2005 and issued by the People's Government of Dalian Municipality, each of the two parcels of land (Nos. 1-11-6-20-5 and 1-11-6-20-4) has an area of 3,338.60 sq.m. and 3,174.50 sq.m. respectively with both lots making up a total land area of 6,513.10 sq.m. The first lot has a land use term of 50 years expiring on 4 January 2055 while the second lot has a land use term of 40 years expiring on 4 January 2045. The first lot is for industrial purposes and the latter one is for commercial service. The title in respect of the property is vested in Dalian Star Automobile Service Co. Ltd. (大連中星汽車服務有限公司).
3. According to the Certificates of Housing Ownership – Da Fang Quan Zheng Zhong Dan Zhi Di No. 1999600604 (房屋所有權證 – 大房權證中單字第1999600604號) dated 2 September 1999 issued by the Dalian Municipal Real Estate Administration Bureau, the subject property is a 4-storey building with a gross floor area of 5,607.09 sq.m. for non-residential use. The title in respect of the property is vested in Dalian Star Automobile Service Co. Ltd. (大連中星汽車服務有限公司).
4. We have relied on all the information as provided to us by the Group and the legal opinion of the Group's PRC lawyers and we have prepared our valuation on the following bases:
- (i) The Group is in possession of a legal title to the property and is entitled to transfer the property with the residual term of the land use right at no additional premium or other costs payable to the government.
- (ii) All land and other premium as well as other costs relating to the provision of utilities and ancillary services have been or will be completely settled.
- (iii) The design, construction and completion of the building are in compliance with local planning regulations and have been approved by the relevant government authorities.
- (iv) Our valuation of the property is based on the aforementioned total land area and the total gross floor area of the building.
- (v) We are advised by the Group that the total construction and related costs, as at the date of completion, are RMB22,149,200.
- (vi) Our valuation of the property is based on a 100 per cent attributable interest.
- (vii) The property may be disposed of freely to purchasers within and outside the PRC.
5. The status of title of the property interest, as well as requisite approvals, consents, certificates, permits and licences relating to the development, use and sale of the property interest in accordance with information provided to us by the Group and the legal opinion of the Group's PRC lawyers are as follows:
- | | |
|---|------------|
| State-owned Land Use Right Sales Contract
(dated 5 January 2005) | – signed |
| State-owned Land Use Certificate
(Da Guo Yong (2005) Zi Di No. 01023) | – obtained |
| Certificate of Housing Ownership
(Da Fang Quan Zheng Zhong Dan Zhi Di
No. 1999600604) | – obtained |

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2007
28.	No. 443 Chengxiang Road, Daoli District, Harbin, Heilongjiang Province, People's Republic of China.	<p>The property comprises a single-storey building with a mezzanine floor, occupying a parcel of land and has a frontage to Chengxiang Road in Daoli District in the city of Harbin. The building is believed to have been built in 2006. Chengxiang Road is one of the main roads in this part of Harbin which is a mixed-user area about 30 minutes' drive from Harbin International Airport.</p> <p>The property is located on the outskirts of the town centre and is in an area which is popular among car manufacturers and dealers which use their premises for the display, storage, repair and maintenance of motor vehicles.</p> <p>The land is irregular in shape with grill fencing at the side and brick fencing at the back of the property. Part of the land adjoining the building is used for the parking of cars and part of it is vacant with landscaping.</p> <p>The 1st level of the subject building is currently used as a showroom for new Mercedes Benz luxury cars while the mezzanine level is occupied by administrative and accounts offices. The adjoining rear portion of the building is for car checkup, repair, maintenance, car spray painting and washing, etc.</p> <p>There is a guardhouse which is located at the entrance of the enclosed property.</p> <p>According to the copies of the State-owned Land Use Certificates which are provided to us, the areas of the two parcels of land are approximately 3,550 sq.m. and 1,312 sq.m. respectively. We are advised by the Company that the total gross floor area of the building is 2,657 sq.m. The land use terms of the above-mentioned two parcels of land will expire on 15 May 2043 and 24 March 2033.</p>	As at the date of valuation, the property is owner-occupied.	RMB14,900,000

Notes:

1. According to the State-owned Land Use Certificates – Ha Guo Yong (2004) Di Nos. 3821 and 3822 (國有土地使用證 – 哈國用(2004)第3821及3822號) both dated 2 July 2004 issued by the People's Government of Harbin Municipality, the property comprises two parcels of land with areas of 3,550 sq.m. and 1,312 sq.m. respectively. One of the aforementioned Certificates is for a land use term of 40 years for commercial use while the other Certificate is for a land use term of 30 years for industrial use, both terms expiring on 15 May 2043 and 24 March 2033 respectively. The title in respect of the property is vested in Harbin Star Automobile Repair and Service Co. Ltd., a 70% owned subsidiary of the Company.
2. According to the Certificate of Housing Ownership – Ha Fang Quan Zheng Li Zi Di No. 0701006129 (房屋所有權證 – 哈房權證里子第0701006129號) dated 7 February 2007 issued by Harbin Municipal Real Estate Housing Bureau (哈爾濱市房產住宅局), the property has a gross floor area of 2,601.26 sq.m., for commercial service purposes. The title in respect of the property is vested in Harbin Star Automobile Repair and Service Co. Ltd., a 70% owned subsidiary of the Company.
3. We have relied on all the information as provided to us by the Group and the legal opinion of the Group's PRC lawyers and we have prepared our valuation on the following bases:
 - (i) The Group is in possession of a legal title to the property and is entitled to transfer the property with the residual term of the land use right at no additional premium or other costs payable to the government.
 - (ii) All land and other premium as well as other costs relating to the provision of utilities and ancillary services have been or will be completely settled.
 - (iii) The design, construction and completion of the building are in compliance with local planning regulations and have been approved by the relevant government authorities.
 - (iv) Our valuation of the property is based on the abovementioned land area and gross floor areas of the property.
 - (v) Our valuation of the property is based on a 100 per cent attributable interest.
 - (vi) The property may be disposed of freely to purchasers within and outside the PRC.
4. The status of title of the property interest, as well as requisite approvals, consents, certificates, permits and licences relating to the development, use and sale of the property interest in accordance with information provided to us by the Group and the legal opinion of the Group's PRC lawyers are as follows:

State-owned Land Use Certificates (Ha Guo Yong (2004) Di Nos. 3821 and 3822)	– obtained
Certificate of Housing Ownership (Ha Fang Quan Zheng Li Zi Di No. 0701006129)	– obtained

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2007
29.	No. 48 Fengcheng 5th Road, Xi'an Economic and Technological Development Area, Xi'an, Shaanxi Province, People's Republic of China.	<p>The property comprises a single-storey building with a mezzanine floor and a dormitory building, occupying a parcel of land and has a frontage to Fengcheng 5th Road in the Xi'an Economic and Technological Development Area in the city of Xi'an. The building is believed to have been built in 2004. Fengcheng 5th Road is one of the main roads in this part of Xi'an which is a mixed-user area about 35 minutes' drive from Xi'an Xiangyang International Airport.</p> <p>The property is located on the outskirts of the town centre and is in an area which is popular among car manufacturers and dealers which use their premises for the display, storage, repair and maintenance of motor vehicles.</p> <p>The land is rectangular in shape with metal and brick fencing at the side and brick fencing at the rear of the property. Part of the land adjoining the building is used for the parking of cars and part of it is vacant with landscaping.</p> <p>The 1st level of the subject building is currently used as a showroom for new Mercedes Benz luxury cars while the mezzanine level is occupied by administration and accounts offices. The adjoining rear portion of the building is a workshop for car checkup, repairs, maintenance, car spray painting and washing, etc.</p> <p>There is a small 2-storey dormitory building at the rear on the right side of the land. Within the building on the 1st level is a canteen while on the 2nd level is a dormitory for workshop employees.</p> <p>There is a guardhouse which is located at the entrance of the enclosed property.</p> <p>According to the copies of the State-owned Land Use Certificates which are provided to us, the land area of the development is approximately 10,657.40 sq.m. with a land use term expiring in May 2053, for industrial use.</p>	As at the date of valuation, the property is owner-occupied.	RMB16,850,000

Notes:

1. According to the People's Republic of China State-owned Land Use Certificate – Xi Jing Guo Yong (2003 Chu) Zi Di No. 19 (國有土地使用證 – 西經國用(2003出)字第19號) dated 19 May 2003 issued by the People's Government of Xi'an Municipality, the property has a land area of 10,657.40 sq.m. (15.986 mu) with a land use term of 50 years expiring in May 2053 for industrial use. The title of the property is vested in Xi'an Star Automobile Repair and Service Co. Ltd. (西安之星汽車維修服務有限公司), a 75% owned subsidiary of the Company.
2. According to the Certificate of Real Estate Ownership – Xi'an Shi Fang Quan Zheng Wei Yang Qu Zi Di No. 014801 (房屋所有權證 – 西安市房權證未央區字第014801號) dated 14 May 2005 issued by the Xi'an Municipal State-owned Land Resources and Housing Administration Bureau, the main building of the property has a gross floor area of 2,311.27 sq.m. for commercial use whereas the dormitory building has a gross floor area of 528.68 sq.m. making up a total gross floor area for the two buildings of 2,839.95 sq.m. Although the dormitory building is used as living quarters by workshop employees, the use as stated in the aforementioned Certificate is "other uses". The title of the property is vested in Xi'an Star Automobile Repair and Service Co. Ltd. (西安之星汽車維修服務有限公司), a 75% owned subsidiary of the Company.
3. We have relied on all the information as provided to us by the Group and the legal opinion of the Group's PRC lawyers and we have prepared our valuation on the following bases:
 - (i) The Group is in possession of a legal title to the property and is entitled to transfer the property with the residual term of the land use right at no additional premium or other costs payable to the government.
 - (ii) All land and other premium as well as other costs relating to the provision of utilities and ancillary services have been or will be completely settled.
 - (iii) The design, construction and completion of the buildings are in compliance with local planning regulations and have been approved by the relevant government authorities.
 - (iv) Our valuation of the property is based on the abovementioned land area and gross floor areas of the property.
 - (v) Our valuation of the property is based on a 100 per cent attributable interest.
 - (vi) The property may be disposed of freely to purchasers within and outside the PRC.
4. The status of title of the property interest, as well as requisite approvals, consents, certificates, permits and licences relating to the development, use and sale of the property interest in accordance with information provided to us by the Group and the legal opinion of the Group's PRC lawyers are as follows:

State-owned Land Use Rights (Xi Jing Guo Yong (2003 Chu) Zi Di No. 19)	– obtained
Certificate of Real Estate Ownership (Xi'an Shi Fang Quan Zheng Wei Yang Qu Zi Di No. 014801)	– obtained

			Market value in existing state as at 31 October 2007
Property	Description and tenure	Particulars of occupancy	
30. No. 7 Kehuan Road, Hunnan New District, Shenyang, Liaoning Province, People's Republic of China.	<p>The property comprises a two-storey building occupying a parcel of land and has a frontage to Kehuan Road in the city of Shenyang, the capital of Liaoning Province and the ninth largest city in terms of population in China. The property is located near the southern fringe of the city and about 20 minutes' driving distance from Taoxian International Airport. The building is believed to have been built in 2006 or thereabouts.</p> <p>The aforementioned building of the property is currently used as a showroom for Mercedes Benz cars, with ancillary offices as well as storage and workshops for car repairs, etc.</p> <p>The area of the land is 10,450.40 sq.m. whilst the gross floor area of the building is 5,802.10 sq.m.</p> <p>The property has been granted a State-owned land use term expiring on 17 August 2044 for commercial purposes.</p>	As at the date of valuation, the property is owner-occupied.	RMB35,500,000

Notes:

- According to the State-owned Land Use Certificate – Shen Nan Guo Yong (2005) Di No. 018 (國有土地使用證 – 沈南國用(2005)第018號) dated 29 March 2005, issued by the People's Government of Shenyang Municipality, the land (Dong Qu No. 04-1) has an area of 10,450.40 sq.m. with a land use term of 40 years expiring on 17 August 2044 for commercial purposes. The title in respect of the property is vested in Liaoning Star Automobile Repair and Service Co. Ltd. (遼寧之星汽車維修服務有限公司), a 55% owned subsidiary of the Company.
- According to the Certificate of Housing Ownership – Shen Fang Quan Zheng Hun Nan Xin Qu Zi Di No. 013366 (房屋所有權證 – 沈房權證渾南新區字第013366號) dated 12 January 2007, issued by the Real Estate Bureau of Shenyang Municipality, the building has a gross floor area of 5,802.10 sq.m. for multi-use purposes. The title in respect of the property is vested in Liaoning Star Automobile Repair and Service Co. Ltd. (遼寧之星汽車維修服務有限公司).
- We have relied on all the information as provided to us by the Group and the legal opinion of the Group's PRC lawyers and we have prepared our valuation on the following bases:
 - The Group is in possession of a legal title to the property and is entitled to transfer the property with the residual term of the land use right at no additional premium or other costs payable to the government.
 - All land and other premium as well as other costs relating to the provision of utilities and ancillary services have been or will be completely settled.

- (iii) The design, construction and completion of the building are in compliance with local planning regulations and have been approved by the relevant government authorities.
 - (iv) Our valuation of the property is based on the above-mentioned land area and total gross floor area.
 - (v) We are advised by the Group that the consideration of the land is RMB12,487,512 whilst the total construction and related costs, as at the date of completion of the building are RMB23,589,831.
 - (vi) Our valuation of the property is based on a 100 per cent attributable interest.
 - (vii) The property may be disposed of freely to purchasers within and outside the PRC.
4. The status of title of the property interest, as well as requisite approvals, consents, certificates, permits and licences relating to the development, use and sale of the property interest in accordance with information provided to us by the Group and the legal opinion of the Group's PRC lawyers are as follows:

State-owned Land Use Certificate	– obtained
(Shen Nan Guo Yong (2005) Di No. 018)	
Certificate of Housing Ownership	– obtained
(Shen Fang Quan Zheng Hun Nan Xin Qu Zi Di	
No. 013366)	

			Market value in existing state as at 31 October 2007
Property	Description and tenure	Particulars of occupancy	
31. Shop 6A, 1st and Mezzanine Levels, Block 10, Bei Shi Jia Yuan, No. 10 Beisanjing Street, Heping District, Shenyang, Liaoning Province, People's Republic of China.	<p>The property comprises a ground floor unit with a mezzanine floor in a 12-storey commercial/residential development which has a frontage to Shifu Avenue, a dual carriageway which is one of the main roads in Heping District in the city of Shenyang. The building is believed to have been built in 2003.</p> <p>The property is located in the commercial hub of Shenyang where a number of banks, a variety of commercial users and retailers can be found. The area is about 30 minutes' drive from the airport.</p> <p>The ground and mezzanine floors are occupied for the display of Mercedes Benz cars with a sales reception on the ground floor and accounts and administration offices on the mezzanine floor.</p> <p>According to a copy of the Commodity House Sale and Purchase Contract, which was provided to us, the gross floor area of the property is 739.80 sq.m. for commercial use.</p> <p>According to the Commodity House Sale and Purchase Contract, the land has been granted a land use term of 50 years from 4 April 2003 to 15 January 2053 for multi-purpose uses.</p>	As at the date of valuation, the property is owner-occupied.	RMB9,950,000

Notes:

- According to the Commodity House Sale and Purchase Contract (No. 0378-02035-106) dated 27 June 2005 entered into between Liaoning Li Shi Real Estate Development Company Limited (遼寧李世房產開發有限公司) and Liaoning Star Automobile Repair and Service Company Limited (遼寧之星汽車維修服務有限公司), a 55% owned subsidiary of the Company, the property has an area of 739.80 sq.m. with a land use term of 50 years from 4 April 2003 to 15 January 2053, for multi-purpose uses. The consideration in respect of the property is RMB7,900,000.
- We have relied on all the information as provided to us by the Group and the legal opinion of the Group's PRC lawyers and we have prepared our valuation on the following bases:
 - The Group is in the course of applying for the Real Estate Ownership Right in respect of the property and there is no legal obstacle in obtaining it.

- Commodity House Sale and Purchase Contract – signed
(dated 27 June 2005)

			Market value in existing state as at 31 October 2007
Property	Description and tenure	Particulars of occupancy	
32. No. 28 Huanhe North Road, Tianjin Airport Logistics Process Area, Dongli District, Tianjin, People's Republic of China.	<p>The property comprises industrial buildings occupying a parcel of land situated within Tianjin Airport Logistics Process Area in Dongli District in the city of Tianjin. This area of the city is located to the east of the commercial centre within Heping District. The Group advised that the buildings were completed in January, 2006.</p> <p>The property is currently used as a showroom and warehouse for Mercedes Benz cars, with ancillary offices as well as workshops for car repairs, maintenance, etc.</p> <p>The area of the land is 14,860.20 sq.m. whilst the total gross floor area of the buildings is 3,319.94 sq.m.</p> <p>The property has been granted a State-owned land use term for 40 years commencing on 9 November 2004 and expiring on 8 November 2044, for commercial purposes.</p>	As at the date of valuation, the property is owner-occupied.	RMB17,750,000

Notes:

- The salient conditions of the Tianjin Municipal State-owned Land Use Right Sales Contract entered into between Tianjin Municipality Planning State-owned Land Resources Bureau (天津市規劃和國土資源局) ("Party A") and Tianjin Star Automobile Repair and Service Co. Ltd. (天津之星汽車維修服務有限公司) ("Party B"), a 60% owned subsidiary of the Company, dated 9 November 2004 are as follows:

 - The property (under Land No. Jinbao (Gua) 2004-126) has a land area of 14,860.20 sq.m. with a land use term of 40 years commencing on 9 November 2004 and expiring on 8 November 2044, for commercial purposes.
 - The total selling price of the land is RMB2,972,040.
 - The subject property has a total gross floor area of 3,319.94 sq.m.
 - The property can be transferred, leased or mortgaged according to the terms and conditions as stated in the above-mentioned Contract.
- According to the State-owned Land Use Certificate – Bao Dan Guo Yong (2005) Di No. 091 (國有土地使用證 – 保單國用(2005)第091號) dated 30 December 2005, issued by the People's Government of Tianjin Municipality, the land has an area of 14,860.20 sq.m. with a land use term of 40 years expiring on 8 November 2044, for commercial purposes. The title in respect of the property is vested in Tianjin Star Automobile Repair and Service Co. Ltd. (天津之星汽車維修服務有限公司).
- According to the Construction Project Works Permit No. 121202120051041 (建築工程施工許可證編號121202120051041) dated 29 July 2005, issued by Tianjin Airport Logistics Process Area Planning and Construction Administration Bureau, the total gross floor area of the property is 3,320 sq.m.

4. According to the Construction Project Completion Inspection Record List dated January 2006, the property has a gross floor area of 3,319.94 sq.m. The completion date of the project is in January 2006. The project construction cost in respect of the property is RMB10,800,000.
5. We have relied on all the information as provided to us by the Group and the legal opinion of the Group's PRC lawyers and we have prepared our valuation on the following bases:
- (i) The Group is in possession of a legal title to the property and is entitled to transfer the property with the residual term of the land use right at no additional premium or other costs payable to the government.
 - (ii) All land and other premium as well as other costs relating to the provision of utilities and ancillary services have been or will be completely settled.
 - (iii) The design, construction and completion of the buildings are in compliance with local planning regulations and have been approved by the relevant government authorities.
 - (iv) Our valuation of the property is based on the above-mentioned land area and total gross floor area of the buildings.
 - (v) Our valuation of the property is based on a 100 per cent attributable interest.
 - (vi) The property may be disposed of freely to purchasers within and outside the PRC.
6. The status of title of the property interest, as well as requisite approvals, consents, certificates, permits and licences relating to the development, use and sale of the property interest in accordance with information provided to us by the Group and the legal opinion of the Group's PRC lawyers are as follows:
- | | |
|--|------------|
| Tianjin Municipal State-owned Land Use Right Sales Contract
(dated 9 November 2004) | – signed |
| State-owned Land Use Certificate
(Bao Dan Guo Yong (2005) Di No. 091) | – obtained |
| Construction Project Works Permit
(No. 121202120051041) | – obtained |
| Construction Project Completion Inspection Record List
(dated January 2006) | – obtained |

				Market value in existing state as at 31 October 2007
Property	Description and tenure	Particulars of occupancy		
33. No. 2828 Dongnanhu Main Road, Changchun Economic and Technological Development Zone, Changchun, Jilin Province, People's Republic of China.	<p>The property comprises an industrial building occupying a parcel of land situated in Changchun Economic and Technological Development Zone (CETDZ) in the city of Changchun, the capital of Jilin Province. The CETDZ is located to the east of the city centre while the airport is within about 30 minutes' driving distance from the west of the City. The Group advised that the building was built in 2006.</p> <p>The property is currently used as a showroom for Mercedes Benz cars, with ancillary offices as well as storage and workshops for car service and repairs, etc.</p> <p>The area of the land is 12,545 sq.m. whilst the gross floor area of the building is 3,831.71 sq.m.</p> <p>The property has been granted a State-owned Land Use term expiring on 27 November 2043, for commercial service purposes.</p>	As at the date of valuation, the property is owner-occupied.		RMB17,550,000

Notes:

- The salient conditions of the State-owned Land Use Right Sales Contract (國有土地使用權出讓合同) entered into between People's Republic of China Changchun Province Jilin Municipality State-owned Land Resources Bureau (中華人民共和國吉林省長春市國土資源局) ("Party A") and Changchun Star Automobile Repair and Service Co. Ltd., (長春之星汽車維修服務有限公司) ("Party B"), a 60% owned subsidiary of the Company, dated 28 November 2003 are as follows:
 - The property has a land area of 12,544.60 sq.m. with a land use term of 40 years expiring on 27 November 2043, for commercial service purposes.
 - The consideration in respect of the land is RMB280.00 per sq.m. which amounts to a sum of RMB3,520,000.
 - The property can be transferred, leased or mortgaged according to the terms and conditions as stated in the Contract.
- According to the State-owned Land Use Certificate – Chang Jing Kai Guo Yong (2005) Di No. 000035 (國有土地使用證 – 長經開國用(2005)第000035號) dated 15 March 2005, issued by the People's Government of Changchun Municipality, the land (No.53-71-25) has an area of 12,545 sq.m. with a land use term of 40 years expiring on 27 November 2043, for commercial service purposes. The title in respect of the property is vested in Changchun Star Automobile Repair and Service Co. Ltd. (長春之星汽車維修服務有限公司).
- According to the Construction Project Planning Permit – Chang Gui Gong Cheng (2005) No. 0005 (建設工程規劃許可證 – 長規工程(2005)0005號) dated 3 February 2005, issued by Changchun Municipal Planning Bureau, the total gross floor area of the building is 3,726 sq.m. together with 40 car parking spaces on the ground floor outside the building.

4. According to the Construction Project Completion Inspection Record Certificate No. 200607080 (建設工程竣工驗收備案證) dated 30 December 2006, the property has a gross floor area of 3,831.71 sq.m. The completion date of the project is on 30 December 2006.
5. We have relied on all the information as provided to us by the Group and the legal opinion of the Group's PRC lawyers and we have prepared our valuation on the following bases:
 - (i) The Group is in possession of a legal title to the property and is entitled to transfer the property with the residual term of the land use right at no additional premium or other costs payable to the government.
 - (ii) All land and other premium as well as other costs relating to the provision of utilities and ancillary services have been or will be completely settled.
 - (iii) The design, construction and completion of the building are in compliance with local planning regulations and have been approved by the relevant government authorities.
 - (iv) Our valuation of the property is based on the above-mentioned land area as stated in the aforementioned State-owned Land Use Certificate and total gross floor area of the building.
 - (v) Our valuation of the property is based on a 100 per cent attributable interest.
 - (vi) The property may be disposed of freely to purchasers within and outside the PRC.
6. The status of title of the property interest, as well as requisite approvals, consents, certificates, permits and licences relating to the development, use and sale of the property interest in accordance with information provided to us by the Group and the legal opinion of the Group's PRC lawyers are as follows:

State-owned Land Use Right Sales Contract (dated 28 November 2003)	– signed
State-owned Land Use Certificate (Chang Jing Kai Guo Yong (2005) Di No. 000035)	– obtained
Construction Project Planning Permit (Chang Gui Gong Cheng (2005) No. 0005)	– obtained
Construction Project Completion Inspection Record Permit (No. 200607080)	– obtained

			Market value in existing state as at 31 October 2007
Property	Description and tenure	Particulars of occupancy	
34. Property situated on the west side of Airport Road, Dong Mo Tang Village, Laishan District, Yantai, Shandong Province, People's Republic of China.	<p>The property comprises a parcel of land under construction. The property is situated at the west side of Airport Road in Laishan District in the city of Yantai which is located on the northeastern fringe of Shandong Province. The land is located in that part of the city which is about 25 minutes' driving distance to Laishan Airport.</p> <p>The land which is relatively level and being improved has easy access from Airport Road, one of the main roads in the city.</p> <p>The land has an area of 11,524 sq.m. while the construction project has a gross floor area of 3,429 sq.m. and is subject to a land use term of 40 years expiring on 20 March 2047, for commercial purposes.</p>	As at the date of valuation, the property is in the process of being developed.	RMB9,100,000

Notes:

1. The salient conditions of the State-owned Land Use Right Sales Contract – Yan Guo Tu Zi He Zi (2007) No. 3004 (國有土地使用權 出讓合同 – 煙國土資合字(2007)3004號) entered into between the State-owned Land Resources Bureau of Yantai Municipality, Shandong Province, People's Republic of China, (中華人民共和國山東省煙台市國土資源局)(the “Seller”) and Yantai Star Automobile Service Co. Ltd. (煙台之星汽車服務有限公司) (the “Purchaser”), a 60% owned subsidiary of the Company, dated 26 March 2007 are as follows:
 - (i) The property has a land area of 11,524 sq.m. (Land (2007) No. 16) with a land use term of 40 years commencing on the actual date of handover of the property or the date of signing of the aforesaid Contract, whichever is appropriate. Use of the property is for commercial purposes.
 - (ii) The consideration in respect of the land is RMB 468.59 per sq.m. which amounts to a total sum of RMB5,400,000.
 - (iii) The land has a plot ratio of less than or equal to 0.31.
 - (iv) Construction density shall not exceed 20% of the land area.
 - (v) The Purchaser has agreed to commence construction works before 26 October 2007.
 - (vi) The property can be transferred, leased or mortgaged according to the terms and conditions as stated in the Contract.

The salient condition of the Supplementary Agreement to the State-owned Land Use Right Sales Contract entered into between PRC State-owned Land Resources Bureau of Yantai Municipality, Shandong Province (中華人民共和國山東省煙台市國土資源局) (the “Seller”) and Yantai Star Automobile Service Co. Ltd. (煙台之星汽車服務有限公司) (the “Purchaser”) dated 26 March 2007, states that the Purchaser has agreed to complete the construction project works within 18 months after obtaining the State-owned Land Use Certificate.

2. According to the State-owned Land Use Certificate – Yan Guo Yong (2007) Di No. 32035 (國用土地使用證 – 煙國用(2007)第32035號) dated 10 July 2007, issued by the People’s Government of Yantai Municipality, the land has an area of 11,524 sq.m. with a land use term of 40 years which will expire on 20 March 2047, for commercial use. The title in respect of the property is vested in Yantai Star Automobile Service Co. Ltd. (煙台之星汽車維修服務有限公司).
3. According to the Construction Project Planning Permit – (2007) Yan Gui Jian Zi Di No. 0408 (建設工程規劃許可證 – 煙規建字第0408號) dated 23 August 2007, issued by the Yantai Municipal Planning Bureau, the property has a gross floor area of 3,429 sq.m.
4. According to the Construction Project Works Permit – Yan Fu Jian Shi Zi 2007 Di No. 063 (建築工程施工許可證 – 煙福建施字2007第063號) dated 17 September 2007, issued by the Yantai Municipal Laishan District Construction Administration Bureau, the contract price for the construction project is RMB2,740,000.
5. We have relied on all the information as provided to us by the Group and the legal opinion of the Group’s PRC lawyers and we have prepared our valuation on the following bases:
 - (i) The Group is in possession of a legal title to the property and is entitled to transfer the property with the residual term of the land use right at no additional premium or other costs payable to the government.
 - (ii) All land and other premium as well as other costs relating to the provision of utilities and ancillary services have been or will be completely settled.
 - (iii) Our valuation is based on the aforementioned land area and the gross floor area of the building.
 - (iv) No account is taken in our valuation of any land premium or other premium which might be payable upon development of the property in due course.
 - (v) No account is taken in our valuation of any penalty which may be imposed for the delay in the development of the land.
 - (vi) We are advised by the Group that the estimated total cost of completing the development is RMB14,000,000 and the anticipated completion date is in the third quarter of 2008.
 - (vii) The estimated value after the development has been completed is RMB19,300,000.
 - (viii) The design of any proposed building to be erected on the land shall be in compliance with local planning regulations and the construction and eventual completion of the building shall be approved by the relevant government authorities in due course.
 - (ix) Our valuation of the property is based on a 100 per cent attributable interest.
 - (x) The property may be disposed of freely to purchasers within and outside the PRC.
6. The status of title of the property interest, as well as requisite approvals, consents, certificates, permits and licences relating to the development, use and sale of the property interest in accordance with information provided to us by the Group and the legal opinion of the Group’s PRC lawyers are as follows:

State-owned Land Use Right Sales Contract (Yan Guo Tu Zi He Zi (2007) No. 3004)	– signed
Supplementary Agreement to the State-owned Land Use Right Sales Contract	– signed
State-owned Land Use Certificate (Yan Guo Yong (2007) Di No. 32035)	– obtained
Construction Project Planning Permit ((2007) Yan Gui Jian Zi Di No. 0408)	– obtained
Construction Project Works Permit (Yan Fu Jian Shi Zi 2007 Di No. 063)	– obtained

			Market value in existing state as at 31 October 2007
Property	Description and tenure	Particulars of occupancy	
35. No. 3 Fuyou Street, Tianzhu Zhen, Shunyi District, Beijing, People's Republic of China.	<p>The property comprises an industrial building which is being constructed on a parcel of land and having a frontage to Fuyou Street in Tianzhu Zhen of Shunyi District in the city of Beijing. The property is located about 15 minutes' driving distance from the Beijing International Airport.</p> <p>Construction of the building is up to super-structure level. Internal finishes and decorations are being undertaken whilst external site works and related works are in progress.</p> <p>The land is relatively level and has a total land use area of 16,593.30 sq.m. out of which the construction land use area is 11,442 sq.m. while the area for road requisition is 5,151.30 sq.m.</p> <p>The gross floor area of the building is 9,153.60 sq.m. (This area will be confirmed by the State-owned Land Resources and Housing Administration Department after the completion of construction of the building).</p> <p>The property has been granted a land use right for a term of 50 years commencing on 6 June 2006, for industrial purposes.</p>	As at the date of valuation, the property is under construction and the superstructure of the building is anticipated to be completed in the first quarter of 2008.	RMB46,600,000

- Notes:*
- The salient conditions of the State-owned Land Use Right Sales Compensation Contract dated 28 March 2006 entered into between the People's Government of Tianzhu Zhen Shunyi District Beijing City (北京市順義區天竺鎮人民政府) ("Party A") and Beijing Tianzhu Star Automobile Service Co. Ltd. (北京天竺之星汽車綜合服務有限公司) ("Party B"), a 100% owned subsidiary of the Company, are as follows:
 - The land has a total area of 16,593.30 sq.m. (24.90 mu approximately) out of which 11,442 sq.m. is construction land use area and 5,151.30 sq.m. is road requisition area.
 - Party B has paid to Party A the land compensation fee for construction land of RMB1,600,000 per mu for 11,442 sq.m. which amounts to a total sum of RMB27,460,800 and for the road requisition fee of RBM500,000 per mu for 5,151.30 sq.m. which amounts to a total sum of RMB3,863,475. The total sum of the land compensation fee for the construction land and road requisition land is therefore RMB31,324,275.

2. The salient conditions of the Beijing Municipal State-owned Land Use Right Sales Contract – No. Jing Shun Di Chu (He) Zi (2006) Di No. 15 (北京市國有土地使用權出讓合同 – 京順地出(合)字(2006)第15號) entered into between Beijing Municipal State-owned Land Resources Bureau – Shunyi Branch Bureau (北京市國土資源局順義分局) (the “Seller”) and Beijing Tianzhu Star Automobile Service Co. Ltd. (北京天竺之星汽車綜合服務有限公司) (the “Purchaser”) dated 6 June 2006 are as follows:
 - (i) The property has a land area of 11,442 sq.m. with a land use term of 50 years from the date of signing of this Contract, for industrial purposes.
 - (ii) The consideration in respect of the land use right is RMB73 per sq.m. which amounts to a total sum of RMB835,266.
 - (iii) The subject land has a total planning gross floor area of 9,153.60 sq.m.
 - (iv) The Purchaser shall complete the project before 15 June 2008.
 - (v) When the lease term, as stated in the aforesaid Contract expires, the Purchaser has to give one year’s notice prior to the expiry date if it wishes to renew the lease.
3. According to the State-owned Land Use Certificate – Jing Shun Guo Yong (2006) Chu Zi Di No. 0085 2006 (國有土地使用證 – 京順國用(2006)出字第0085號) dated 3 July 2006, issued by the People’s Government of Shunyi District Beijing Municipality, the land has an area of 11,442 sq.m. with a land use term of 50 years expiring on 6 June 2056, for industrial purposes. The title in respect of the property is vested in Beijing Tianzhu Star Automobile Service Co. Ltd. (北京天竺之星汽車綜合服務有限公司).
4. According to the Construction Project Planning Permit – 2006 Gui (Shun) Jian Zi No. 0052 (建設工程規劃許可證 – 2006規(順)建字0052號) dated 27 April 2006, issued by the Beijing Municipal Planning Committee, the property has a gross floor area of 13,961.26 sq.m.
5. According to the Construction Project Works Permit – 2006 Shi Jian Zi No. 1935 (建築工程開工許可證 – 2006施建字1935號) dated 10 October 2006, issued by the Beijing Municipal Construction Committee, the commencement date of the construction project is on 1 July 2006 whilst the completion date is on 25 February 2007. The contract price for the construction project is RMB34,000,250.
6. We have relied on all the information as provided to us by the Group and the legal opinion of the Group’s PRC lawyers and we have prepared our valuation on the following bases:
 - (i) The Group is in possession of a legal title to the property and is entitled to transfer the property with the residual term of the land use right at no additional premium or other costs payable to the government.
 - (ii) All land and other premium as well as other costs relating to the provision of utilities and ancillary services have been or will be completely settled.
 - (iii) Our valuation of the property is based on the above-mentioned land area and the total gross floor area of the proposed development being built on the land.
 - (iv) No account is taken in our valuation of any land premium or other premium which might be payable upon development of the property.
 - (v) We are advised by the Group that the estimated total cost of completing the development is RMB68,500,000 and the anticipated completion date is in the first quarter of 2008.
 - (vi) The estimated value after the development has been completed is RMB60,750,000.
 - (vii) The design of the proposed building being erected on the land shall be in compliance with local planning regulations and the construction and eventual completion of the building shall be approved by the relevant government authorities in due course.
 - (viii) Our valuation of the property is based on a 100 per cent attributable interest.
 - (ix) The property may be disposed of freely to purchasers within and outside the PRC.

7. The status of title of the property interest, as well as requisite approvals, consents, certificates, permits and licences relating to the development, use and sale of the property interest in accordance with information provided to us by the Group and the legal opinion of the Group’s PRC lawyers are as follows:

State-owned Land Use Right Sales Compensation Contract (dated 28 March 2006)	– signed
Beijing Municipal State-owned Land Use Right Sales Contract (No. Jing Shun Di Chu (He) Zi (2006) Di No. 15)	– signed
State-owned Land Use Certificate (Jing Shun Guo Yong (2006) Chu Zi Di No. 0085)	– obtained
Construction Project Planning Permit (2006 Gui (Shun) Jian Zi No. 0052)	– obtained
Construction Project Works Permit (2006 Shi Jian Zi No. 1935)	– obtained

			Market value in existing state as at 31 October 2007
Property	Description and tenure	Particulars of occupancy	
36. No. 105 Zhongya Main Road, Urumqi Economic and Technological Development Zone, Urumqi, Xinjiang Uygur Autonomous Region, People's Republic of China.	<p>The property comprises a single-storey building occupying a parcel of land and has a frontage to Zhongya Main Road in Urumqi Economic and Technological Development Zone in the city of Urumqi, the capital of Xinjiang Uygur Autonomous Region. This region of China is rich in cultural and ethnic diversity. The aforementioned building is believed to have been built in 2004 or thereabouts.</p> <p>The property is currently used as a showroom for Mercedes Benz cars, with ancillary offices as well as storage and workshops for car service and repairs, etc.</p> <p>The area of the land is 7,255.46 sq.m. whilst the gross floor area of the building is 2,722.88 sq.m.</p> <p>The property has been granted a State-owned Land Use for a term expiring on 25 August 2042, for commercial purposes.</p>	As at the date of valuation, the property is owner-occupied.	RMB15,300,000

Notes:

- The salient conditions of the State-owned Land Use Right Sales Contract (the “Contract”) dated 15 October 2003, entered into between the Economic and Technological Development Zone Land Planning Administration Bureau of Urumqi Municipality (新疆自治區烏魯木齊市經濟技術開發區土地規劃管理局) (the “Seller”) and Xinjiang Star Automobile Repair and Service Ltd. (新疆之星汽車維修服務有限公司) (the “Purchaser”), a 60% owned subsidiary of the Company, are as follows:
 - The property (Land No. 2# – 10) has a land area of 7,470.92 sq.m. with a land use term of 40 years commencing on the actual date of handover of the property or the date of signing of the aforesaid Contract, whichever is appropriate. Use of the property is for commercial purposes.
 - The Seller agrees to handover the land to the Purchaser on 25 August 2002.
 - The consideration in respect of the land is RMB300 per sq.m. which amounts to a sum of RMB2,241,276.
 - The property can be transferred, leased or mortgaged according to the terms and conditions as stated in the Contract.
- According to the State-owned Land Use Certificate – Wu Guo Yong (2006) Di No. 0019344 (國有土地使用證 – 烏國用(2006)第0019344號) dated 9 February 2006, issued by the People's Government of Urumqi Municipality, the land has an area of 7,255.46 sq.m. with a land use term of 40 years which will expire on 25 August 2042, for commercial use. The title in respect of the property is vested in Xinjiang Star Automobile Repair and Service Ltd. (新疆之星汽車維修服務有限公司).

3. According to the Certificate of Housing Ownership – Wu Fang Quan Zheng Wu Shi Jing Ji Kai Fa Qu Zi Di No.2006013304 (房屋所有權證 – 烏房權證烏市經濟開發區字第2006013304號) dated 24 February 2006, issued by the Real Estate Administration Bureau of Urumqi Municipality, the building has a gross floor area of 2,722.88 sq.m., for car showroom and maintenance services. The title in respect in the property is vested in Xinjiang Star Automobile Repair and Service Ltd. (新疆之星汽車維修服務有限公司).
4. We have relied on all the information as provided to us by the Group and the legal opinion of the Group’s PRC lawyers and we have prepared our valuation on the following bases:
 - (i) The Group is in possession of a legal title to the property and is entitled to transfer the property with the residual term of the land use right at no additional premium or other costs payable to the government.
 - (ii) All land and other premium as well as other costs relating to the provision of utilities and ancillary services have been or will be completely settled.
 - (iii) The design, construction and completion of the building are in compliance with local planning regulations and have been approved by the relevant government authorities.
 - (iv) Our valuation of the property is based on the above-mentioned land area and total gross floor area of the building.
 - (v) Our valuation of the property is based on a 100 per cent attributable interest.
 - (vi) The property may be disposed of freely to purchasers within and outside the PRC.
5. The status of title of the property interest, as well as requisite approvals, consents, certificates, permits and licences relating to the development, use and sale of the property interest in accordance with information provided to us by the Group and the legal opinion of the Group’s PRC lawyers are as follows:

State-owned Land Use Right Sales Contract (dated 15 October 2003)	– obtained
State-owned Land Use Certificate (Wu Guo Yong (2006) Di No. 0019344)	– obtained
Certificate of Housing Ownership (Wu Fang Quan Zheng Wu Shi Jing Ji Kai Fa Qu Zi Di No.2006013304)	– obtained

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2007
37.	Jiangyang Industrial Park, No. 2 Shugang West Road, Weiyang District, Yangzhou, Jiangsu Province, People's Republic of China.	<p>The property comprises four industrial buildings occupying a parcel of land and having a frontage to Shugang West Road in Weiyang District in the city of Yangzhou. Yangzhou is the gateway between the northern and southern parts of Jiangsu Province and is located to the north-east of the capital, Nanjing. The buildings are believed to have been built in 2007 or thereabouts.</p> <p>The main building of the industrial premises located at the front of the land is 3-storey in height and is used mainly for administrative purposes. Two of the buildings located at the rear of the site are factory premises whilst the fourth building, also at the rear of the land, is used for ancillary purposes.</p> <p>The industrial premises are occupied by the machinery division of the Group as offices with workshops for the repair and maintenance of construction machines, storage of parts, etc. The total gross floor area of the four buildings is 8,995.14 sq.m.</p> <p>The land is paved, landscaped and fenced and ample car parking is available within the curtilage of the property. The area of the land is 54,926.30 sq.m.</p> <p>The property has been granted a land use right for a term of 50 years expiring on 4 November 2054, for industrial purposes.</p>	As at the date of valuation, the building is newly completed and is occupied by the Group's machinery division.	RMB32,490,000

Notes:

- According to the State-owned Land Use Certificate – Yang Guo Yong (2004) Di No. 0645 (國有土地使用證 – 楊國用(2004)第0645號) dated 11 November 2004, issued by the People's Government of Yangzhou Municipality, the land has an area of 54,926.30 sq.m. with a land use term of 50 years expiring on 4 November 2054, for industrial purposes. The title in respect of the property is vested in Lei Shing Hong Machinery (Yangzhou) Co. Ltd. (利星行機械(揚州)有限公司), a 100% owned subsidiary of the Company.

2. According to the Certificate of Real Estate Ownership – Yang Fang Quan Zheng Guang Zi Di No. 298488 (房屋所有權證 – 楊房權證廣字第298488號) dated 24 April 2007, issued by the Real Estate Administration Bureau of Yangzhou Municipality, the property comprises one three-storey building and three single storey buildings which have a total gross floor area of 8,995.14 sq.m., for non-residential purposes. The title in respect of the property is vested in Lei Shing Hong Machinery (Yangzhou) Co Ltd. (利星行機械(揚州)有限公司).
3. We have relied on all the information as provided to us by the Group and the legal opinion of the Group’s PRC lawyers and we have prepared our valuation on the following bases:
 - (i) The Group is in possession of a legal title to the property and is entitled to transfer the property with the residual term of the land use right at no additional premium or other costs payable to the government.
 - (ii) All land and other premium as well as other costs relating to the provision of utilities and ancillary services have been or will be completely settled.
 - (iii) Our valuation of the property is based on the aforementioned land area and the total gross floor area of the development which is erected on the land.
 - (iv) The design, construction and completion of the aforementioned buildings are in compliance with local planning regulations and have been approved by the relevant government authorities.
 - (v) Our valuation of the property is based on a 100 per cent attributable interest.
 - (vi) The property may be disposed of freely to purchasers within and outside the PRC.
4. The status of title of the property interest, as well as requisite approvals, consents, certificates, permits and licences relating to the development, use and sale of the property interest in accordance with information provided to us by the Group and the legal opinion of the Group’s PRC lawyers are as follows:

State-owned Land Use Certificate (Yang Guo Yong (2004) Di No. 0645)	– obtained
Certificate of Real Estate Ownership (Yang Fang Quan Zheng Guang Zi Di No. 298488)	– obtained

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2007
38.	No. 2299 Tian Yuan Dong Road, Jiangning Science Park, Jiangning District, Nanjing, Jiangsu Province, People's Republic of China.	<p>The property comprises a newly completed industrial building occupying a parcel of land which has been improved, landscaped and fenced. The property has a frontage to Tian Yuan Dong Road within the Jiangning Science Park in Jiangning District in the city of Nanjing, the capital and largest river port in Jiangsu Province. Jiangning Science Park is located about 35 minutes' driving distance to the Lu Kou International Airport.</p> <p>The land in respect of the property has an area of 26,380.30 sq.m.</p> <p>The building occupying the land is 3-storey in height. The 1st Level accommodates the reception and offices while at the rear of the 1st Level are workshops. The 2nd Level is where administrative and sales offices are located while the 3rd Level is a canteen. The total gross floor area of the building is 8,412 sq.m. The building was completed in mid-2007.</p> <p>The property has been granted a land use right for a term of 50 years expiring 30 December 2056, for industrial purposes.</p>	As at the date of valuation, the building is newly completed and is occupied by the Group's machinery division.	RMB30,900,000

Notes:

1. According to the Construction Project Planning Permit – Jiang Ning Jian Zi (2007) Di No. 107 (建設工程規劃許可證 – 江寧建字(2007)第107號) dated 9 March 2007, issued by the Jiangning District Planning Bureau of Nanjing Municipality, the property comprises a 3-storey building which has a gross floor area of 8,412 sq.m.
2. According to the State-owned Land Use Certificate – Ning Jiang Guo Yong (2007) Di No.10573 (國有土地使用證 – 寧江國用(2007)第10573號) dated 22 May 2007, issued by the People's Government of Nanjing Municipality, the land has an area of 26,380.30 sq.m. with a land use term of 50 years expiring on 30 December 2056, for industrial purposes. The title in respect of the property is vested in Lei Shing Hong Machinery (Nanjing) Co. Ltd. (利星行機械(南京)有限公司), a 100% owned subsidiary of the Company.
3. According to the Construction Project Works Permit No. 3201152007062500002A (建築工程施工許可證 – 編號3201152007062500002A) dated 27 June 2007, the commencement of works of the project is on 28 October 2006 and the completion of the project is on 8 May 2007. The contract price of the project is in the sum of RMB12,364,000.

4. We have relied on all the information as provided to us by the Group and the legal opinion of the Group's PRC lawyers and we have prepared our valuation on the following bases:
- (i) The Group is in possession of a legal title to the property and is entitled to transfer the property with the residual term of the land use right at no additional premium or other costs payable to the government.
 - (ii) All land and other premium as well as other costs relating to the provision of utilities and ancillary services have been or will be completely settled.
 - (iii) Our valuation of the property is based on the aforementioned land area and the total gross floor area of the development which is erected on the land.
 - (iv) The design and construction of the development are in compliance with local planning regulations and the completion of the development will be approved by the relevant government authorities.
 - (v) We are advised by the Group that the consideration in respect of the land is RMB5,539,863 while the total construction and related costs in respect of the building, as at the valuation date are RMB15,965,302 (excluding land costs, furniture and movable assets).
 - (vi) Our valuation of the property is based on a 100 per cent attributable interest.
 - (vii) The property may be disposed of freely to purchasers within and outside the PRC.
5. The status of title of the property interest, as well as requisite approvals, consents, certificates, permits and licences relating to the development, use and sale of the property interest in accordance with information provided to us by the Group and the legal opinion of the Group's PRC lawyers are as follows:
- | | |
|--|------------|
| Construction Project Planning Permit
(Jiang Ning Jian Zi (2007) Di No. 107) | – obtained |
| State-owned Land Use Certificate
(Ning Jiang Guo Yong (2007) Di No.10573) | – obtained |
| Construction Project Works Permit
(No. 3201152007062500002A) | – obtained |

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2007
39. No. 432 Kuntai Road, Zhoushi Zhen, Kunshan, Jiangsu Province, People's Republic of China.	<p>The property comprises industrial buildings occupying a parcel of land having a frontage to Kuntai Road in Zhoushi Zhen in the city of Kunshan, a secondary city located to the north-west of Shanghai and east of Suzhou on the south-eastern fringe of Jiangsu Province. The aforementioned buildings are believed to have been built in 1998 or thereabouts.</p> <p>The main building of the industrial premises comprises two portions with the front portion being 2-storey high whilst the secondary portion is single storey in height, both portions being connected. Within the site there is also a 3-storey building which is used as a training centre. In addition, there are two single storey secondary buildings one of which is for ancillary purposes whilst the other is a guardhouse, the latter located at the entrance of the enclosed property.</p> <p>The industrial premises are occupied by the machinery division of the Group as offices with workshops for the repair and maintenance of construction machines and engines, storage of parts, etc. as well as staff training. According to the Certificate of Housing Ownership and the Construction Project Planning Compliance of Inspection Permit, the gross floor area of the main building is 8,493 sq.m. whilst the gross floor area of the workshop extension is 1,875.40 sq.m., both areas making up a total gross floor area of 10,368.40 sq.m.</p> <p>With regard to the 3-storey training centre, we have not taken into account the value of this building as no Certificate of Real Estate Ownership was issued.</p> <p>The land is paved, landscaped and fenced and ample car parking is available within the curtilage of the property. The land has an area of 55,005 sq.m.</p> <p>The property has been granted a land use right for a term of 50 years commencing on 9 January 1995 and expiring 8 January 2045, for industrial purposes.</p>	As at the date of valuation, the building is occupied by the Group's machinery division.	RMB38,280,000

Notes:

1. According to the State-owned Land Use Certificate – Kun Guo Yong (95) Zi Di No. C-032 (國有土地使用證 – 昆國用(95)字第C-032號) dated 20 April 1995 and issued by the Land Administration Bureau of Kunshan Municipality, the land has an area of 55,005 sq.m. with a land use term of 50 years commencing on 9 January 1995 and expiring on 8 January 2045, for industrial purposes. The title in respect of the property is vested in Lei Shing Hong Machinery (Kunshan) Co.Ltd. (利星行機械(昆山)有限公司), a 100% owned subsidiary of the Company.
2. According to the Certificate of Housing Ownership – Kun Fang Zi Di No. 0057607 (房屋所有權證 – 昆房字第0057607號) dated 4 March 1998 and issued by the Construction Committee of Kunshan Municipality, the property comprises a 2-storey main building which has a gross floor area of 8,493 sq.m. The title in respect of the property is vested in Lei Shing Hong Machinery (Kunshan) Co. Ltd (利星行機械(昆山)有限公司), a 100% owned subsidiary of the Company.
3. According to the Construction Project Planning Compliance of Inspection Permit No. 2007-0518 (建設工程規劃驗收合格證編號2007-0518號) dated 17 September 2007 issued by the Kunshan Municipal Planning Bureau, the workshop extension of the main building has a gross floor area of 1,875.40 sq.m.. Use of the building is for industrial purposes.
4. We have relied on all the information as provided to us by the Group and the legal opinion of the Group's PRC lawyers and we have prepared our valuation on the following bases:
 - (i) The Group is in possession of a legal title to the property and is entitled to transfer the property with the residual term of the land use right at no additional premium or other costs payable to the government.
 - (ii) All land and other premium as well as other costs relating to the provision of utilities and ancillary services have been or will be completely settled.
 - (iii) Our valuation of the property is based on the aforementioned land area and the total gross floor area of the main building and the workshop extension.
 - (iv) The design, construction and completion of the aforementioned buildings, with the exception of the 3-storey training centre, are in compliance with local planning regulations and have been approved by the relevant government authorities.
 - (v) Our valuation of the property is based on a 100 per cent attributable interest.
 - (vi) The property may be disposed of freely to purchasers within and outside the PRC.
5. The status of title of the property interest, as well as requisite approvals, consents, certificates, permits and licences relating to the development, use and sale of the property interest in accordance with information provided to us by the Group and the legal opinion of the Group's PRC lawyers are as follows:

State-owned Land Use Certificate (Kun Guo Yong (1995) Zi Di No. C-032)	– obtained
Certificate of Housing Ownership (Kun Fang Zi Di No. 0057607)	– obtained
Construction Project Planning Permit (No. 2005-1923)	– obtained
Construction Project Works Permit (No. 3205232005053011)	– obtained
Construction Project Planning Compliance of Inspection Permit No. 2007-0518	– obtained

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2007
40.	Units 603, 605, 606, 802, 805, 905 and 906, Block A, Units 404, 604, 801 and 901 and 806, Block B, Units 405 and 802, Block C, Unit 802, Block D, Lijing Garden Apartments, No. 48 Qianjin Zhong Road, Kunshan Development Area, Kunshan, Jiangsu Province, People’s Republic of China.	<p>The property comprises 13 residential units in Lijing Garden Apartments, a residential development consisting of 9-storey high and low-rise apartment buildings situated in Kunshan Development Area in the city of Kunshan, a secondary city located on the south-eastern fringe of Jiangsu Province. The estate was completed in 1997 or thereabouts.</p> <p>Access to the estate is from Qianjin Zhong Road, one of the main roads in the city. Developments in the surrounding areas comprise a mixture of high-rise residential properties and multi-storey commercial/office premises as well as a couple of hotels.</p> <p>The property comprises a mixture of apartments located within the 9-storey residential buildings and has a total gross floor area of 1,595.12 sq.m.</p> <p>The property has been granted a State-owned land use term expiring on 3 August 2063 for residential purposes.</p>	As at the date of valuation, the property is used as staff quarters.	RMB11,100,000

Notes:

1. According to the Certificates of Housing Ownership – Kun Fang Zi Nos. 0041863, 0041834, 0041862 and 0041719 (房屋所有權證 – 昆房字第 0041863, 0041834, 0041862 及 0041719 號) with the first three dated 24 September 1997 and the latter dated 29 September 1997, issued by the Construction Committee of Kunshan Municipality, the 13 units have a total gross floor area of 1,595.12 sq.m. for commodity house purposes.
- The title in respect of the property is vested in Lei Shing Hong Machinery (Kunshan) Ltd. (利星行機械(昆山)有限公司), a 100% owned subsidiary of the Company. The breakdown in the floor areas of the respective units is as follows:

Block No.	Unit No.	Gross Floor Area (sq.m.)
A	603	111.89
A	605	98.52
A	606	115.43
A	802	96.80
A	805	98.38
A	905 & 906	209.67
B	404	115.91
B	604	115.91
B	806	115.43
B	801 & 901	225.06
C	405	96.80
C	802	98.52
D	802	96.80
Total		1,595.12

2. According to the State-owned Land Use Certificates for Units 603, 802 and 805 in Block A, Kun Guo Yong (2000) Zi Di Nos. K03960, K03961 and K03962 (國有土地使用證 – 昆國用(2000)字第K03960, K03961 及 K03962號) all dated 9 November 2000, issued by the State-owned Land Administration Bureau of Kunshan Municipality, the site area of Block A is 814.50 sq.m. The units have shares of the land of 14.10 sq.m., 12.20 sq.m. and 12.40 sq.m. respectively with all units subject to a land use term expiring on 3 August 2063, for residential purposes. All the titles in respect of the units are vested in Lei Shing Hong Machinery (Kunshan) Ltd. (利星行機械(昆山)有限公司).
3. According to the State-owned Land Use Certificates for Units 605, 606 and 905 & 906 in Block A, Kun Guo Yong (2007) Zi Di Nos. K05546, K05545 and K05544 (國有土地使用證 – 昆國用(2007)字第K05546, K05545 及 K05544 號) all dated 15 August 2007, issued by the People's Government of Kunshan Municipality, the units have shares of the land of 12.40 sq.m., 14.10 sq.m. and 26.30 sq.m. respectively with all units subject to a land use term expiring on 3 August 2063 for residential purposes. All the titles in respect of the units are vested in Lei Shing Hong Machinery (Kunshan) Ltd. (利星行機械(昆山)有限公司).
4. According to the State-owned Land Use Certificate for Unit 806 in Block B, Kun Guo Yong (2000) Zi Di No. K03959 (國有土地使用證 – 昆國用 (2000)及K03959號) dated 9 November 2000, issued by the State-owned Land Administration Bureau of Kunshan Municipality, the site area of Block B is 793.70 sq.m. The unit has a share of the land of 14.10 sq.m. with the unit subject to a land use term expiring on 3 August 2063, for residential purposes. The title in respect of this unit is vested in Lei Shing Hong Machinery (Kunshan) Ltd. (利星行機械(昆山)有限公司).
5. According to the State-owned Land Use Certificates for Units 404, 604 and 801 & 901 in Block B, Kun Guo Yong (2007) Zi Di Nos. K05548, K05549 and K05547 (國有土地使用證 – 昆國用(2000)字第K05548, K05549 及 K05547 號) all dated 15 August 2007, issued by the People's Government of Kunshan Municipality, the site area of Block B is 793.70 sq.m. Each of the units has a share of the land of 14.20 sq.m., 14.20 sq.m. and 27.50 sq.m. respectively while all the units are subject to a land use term expiring on 3 August 2063, for residential purposes. The titles in respect of the units are vested in Lei Shing Hong Machinery (Kunshan) Ltd. (利星行機械(昆山)有限公司).
6. According to the State-owned Land Use Certificates for Units 405 and 802 in Block C, Kun Guo Yong (2000) Zi Di Nos. K03957 and K03958 (國有土地使用證 – 昆國用(2000)字第K03957 及 K03958號) both dated 9 November 2000, issued by the State-owned Land Administration Bureau of Kunshan Municipality, the site area of Block C is 791.20 sq.m. The units have shares of the land of 11.80 sq.m. and 12 sq.m. respectively with the units subject to a land use term expiring on 3 August 2063, for residential purposes. The titles in respect of the units are vested in Lei Shing Hong Machinery (Kunshan) Ltd. (利星行機械(昆山)有限公司).
7. According to the State-owned Land Use Certificate for Unit 802 in Block D, Kun Guo Yong (2000) Zi Di No. K03956 (國有土地使用證 – 昆國用(2000)字第K03956號) dated 9 November 2000, issued by the State-owned Land Administration Bureau of Kunshan Municipality, the site area of Block D is 765.30 sq.m. The unit has a share of the land of 11.40 sq.m. with the unit subject to a land use term expiring on 3 August 2063, for residential purposes. The title in respect of this unit is vested in Lei Shing Hong Machinery (Kunshan) Ltd. (利星行機械(昆山)有限公司).
8. We have relied on all the information as provided to us by the Group and the legal opinion of the Group's PRC lawyers and we have prepared our valuation on the following bases:
 - (i) The Group is in possession of a legal title to the property and is entitled to transfer the property with the residual term of the land use right at no additional premium or other costs payable to the government.
 - (ii) All land and other premium as well as other costs relating to the provision of utilities and ancillary services have been completely settled.
 - (iii) The design, construction and completion of the buildings in which the subject residential units are located are in compliance with local planning regulations and have been approved by the relevant government authorities.

- (iv) Our valuation of the property is based on the above-mentioned total gross floor area of the units.
 - (v) Our valuation of the property is based on a 100 per cent attributable interest.
 - (vi) The property may be disposed of freely to purchasers within and outside the PRC.
9. The status of title of the property interest, as well as requisite approvals, consents, certificates, permits and licences relating to the development, use and sale of the property interest in accordance with information provided to us by the Group and the legal opinion of the Group's PRC lawyers are as follows:

Certificates of Housing Ownership (Kun Fang Zi Nos. 0041863, 0041834, 0041862 and 0041719)	– obtained
State-owned Land Use Certificates (Units 603, 802 and 805 in Block A, Kun Guo Yong (2000) Zi Di Nos. K03960, K03961 and K03962)	– obtained
State-owned Land Use Certificates (Units 605, 606 and 905 & 906 in Block A, Kun Guo Yong (2007) Zi Di Nos. K05546, K05545 and K05544)	– obtained
State-owned Land Use Certificate (Unit 806 in Block B, Kun Guo Yong (2000) Zi Di No. K03959)	– obtained
State-owned Land Use Certificates (Units 404, 604 and 801 & 901 in Block B, Kun Guo Yong (2007) Zi Di Nos. K05548, K05549 and K05547)	– obtained
State-owned Land Use Certificates (Units 405 and 802 in Block C, Kun Guo Yong (2000) Zi Di Nos. K03957 and K03958)	– obtained
State-owned Land Use Certificate (Unit 802 in Block D, Kun Guo Yong (2000) Zi Di No. K03956)	– obtained

			Market value in existing state as at 31 October 2007
Property	Description and tenure	Particulars of occupancy	
41. Land situated at east of No. 7 Road and north of Hongda Road, Qiaonan Area, Xiaoshan Economic and Technological Development Zone, Hangzhou, Zhejiang Province, People's Republic of China.	<p>The property comprises a parcel of vacant land situated in a relatively new industrial area within Xiaoshan Economic and Technological Development Zone in the city of Hangzhou, the capital of Zhejiang Province. The property is located quite close to the Hangzhou Xiaoshan International Airport and is within 30 minutes' drive to the commercial centre of Hangzhou, which is located to the north-west.</p> <p>The subject land is level, has a good road frontage but partially improved. Developments in the immediate vicinity and surrounding area comprise mainly low-rise and medium-rise industrial premises.</p> <p>The total land area in respect of the property is 21,275 sq.m. whilst the property has been granted a land use term of 50 years expiring on 30 December 2056, for industrial purposes.</p>	As at the date of valuation, the property is vacant and held for future development. As at the date of valuation, the Group does not have an existing plan for the development of the property.	No commercial value

Notes:

1. The salient conditions of the State-owned Land Use Right Sales Contract and the Supplementary Contract both dated 13 February 2007 signed between Xiaoshan Economic and Technological Development Zone State-owned Land Construction Planning Bureau (蕭山經濟技術開發區國土規劃建設局) (the "Seller") and Lei Shing Hong Machinery (Hangzhou) Ltd. (利星行機械(杭州)有限公司) (the "Purchaser"), a 100% owned subsidiary of the Company, are as follows:
 - (i) The property has a land area of 21,275 sq.m. with a land use term of 50 years from the date of signing of the Contract and expiring on 30 December 2056.
 - (ii) Use of the property is for industrial purposes.
 - (iii) The consideration in respect of the land use right is RMB225 per sq.m. which amounts to a total sum of RMB4,786,875.
 - (iv) The land has a plot ratio of 0.6 or above.
 - (v) Construction density shall be above 45% of the land area.
 - (vi) After approval of the Land Use Project has been obtained, the construction works have to commence within 180 days and be completed within two years of approval.
 - (vii) The property can be transferred, leased or mortgaged according to the terms and conditions as stated in the aforementioned Contract.

2. According to the Construction Land Use Planning Permit – Zhe Gui Zheng (2007) No. 0110002 (建設用地規劃許可證 – 浙規証(2007)編號0110002) dated 5 March 2007, issued by the State-owned Land Planning Construction Bureau of Xiaoshan Economic and Technological Development Zone, the land area of the property is 21,275 sq.m. The title is vested in Lei Shing Hong Machinery (Hangzhou) Ltd. (利星行機械(杭州)有限公司).
3. According to the State-owned Land Use Certificate – Hang Xiao Kai Guo Yong (2007) Di No. 5 (國有土地使用證 – 杭蕭開國用(2007)第5號) dated 26 March 2007, issued by the People's Government of Hangzhou Municipality, the land has an area of 21,275 sq.m. with a land use term expiring on 30 December 2056, for industrial purposes. The title in respect of the property is vested in Lei Shing Hong Machinery (Hangzhou) Ltd. (利星行機械(杭州)有限公司).
4. We have relied on all the information as provided to us by the Group and the legal opinion of the Group's PRC lawyers and we have prepared our valuation on the following bases:
 - (i) After the development of the land has exceeded the total development investment outlay of 25%, the Group which is in possession of a legal title to the property shall be entitled to transfer the property with the residual term of the land use right at no additional premium or other costs payable to the government.
 - (ii) All land and other premium as well as other costs relating to the provision of utilities and ancillary services have been or will be completely settled.
 - (iii) As the property is a parcel of vacant land with the development cost less than 25% of the total development investment outlay, the land cannot be transferred, leased or mortgaged according to the aforementioned State-owned Land Use Right Sales Contract.
 - (iv) In view of Note 3 (iii) above, no commercial value is attributable to the property for the Group as at the date of valuation.
5. The status of title of the property interest, as well as requisite approvals, consents, certificates, permits and licences relating to the development, use and sale of the property interest in accordance with information provided to us by the Group and the legal opinion of the Group's PRC lawyers are as follows:

State-owned Land Use Right Sales Contract and the Supplementary Contract (dated 13 February 2007)	– signed
State-owned Land Use Certificate (Hang Xiao Kai Guo Yong (2007) Di No. 5)	– obtained
Construction Land Use Planning Permit (Zhe Gui Zheng (2007) No. 0110002)	– obtained

			Market value in existing state as at 31 October 2007																
Property	Description and tenure	Particulars of occupancy																	
42. House situated at No. 1000 Huashan Road, Changning District, Shanghai, People’s Republic of China.	<p>The property comprises a 3-storey detached house with a basement which has a frontage to Huashan Road close to its junction with Fuxing West Road at the fringe of Changning District bordering Xuhui District in the city of Shanghai.</p> <p>The house, which was built in 1999, occupies a somewhat oblong shape parcel of land at road level which, according to the Shanghai Certificate of Real Estate Ownership, has an area of 790.00 sq.m.</p> <p>According to the aforesaid Certificate, the house has a gross floor area of 714.69 sq.m. approximately which is made up as follows:</p> <table><tr><th>Floor</th><th>Gross Floor Area (sq.m.)</th></tr><tr><td>Basement</td><td>188.00</td></tr><tr><td>1st Level</td><td>187.00</td></tr><tr><td>2nd Level</td><td>199.69</td></tr><tr><td>3rd Level</td><td>140.00</td></tr><tr><td></td><td><hr/></td></tr><tr><td>Total</td><td>714.69</td></tr><tr><td></td><td><hr/><hr/></td></tr></table> <p>The property is situated in a high class residential area where a mixture of old and new low-rise and medium-rise developments predominate.</p> <p>The property has been granted a State-owned land use right for a term of 50 years from 14 February 1995 to 13 February 2045, for office purpose.</p>	Floor	Gross Floor Area (sq.m.)	Basement	188.00	1st Level	187.00	2nd Level	199.69	3rd Level	140.00		<hr/>	Total	714.69		<hr/> <hr/>	<p>As at the date of valuation, the property is let at a rent of US\$1.10 per sq.m. per day which is equivalent to US\$23,912 per month for a lease term of 57 months from 1 January 2005 to 30 September 2009.</p>	RMB24,900,000
Floor	Gross Floor Area (sq.m.)																		
Basement	188.00																		
1st Level	187.00																		
2nd Level	199.69																		
3rd Level	140.00																		
	<hr/>																		
Total	714.69																		
	<hr/> <hr/>																		

Notes:

1. According to the Certificate of Real Estate Ownership – Hu Fang Di Chang Zi (2005) No. 027316 (房地產權證 – 滬房地長字(2005)027316號) dated 14 November 2005 issued by the Shanghai Housing and Land Resources Administration Bureau, the property has been granted a land use term of 50 years from 14 February 1995 to 13 February 2045 for office purpose with a gross floor area of 790 sq.m. The title in respect of the property is vested in Lau Yu Chak (劉禹策) who holds on trust for Lei Shing Hong Development Limited, now known as Lei Shing Hong Properties (China) Limited, a 100% owned subsidiary of the Company. This Declaration of Trust is dated 24 November 1994.

2. We have relied on all the information as provided to us by the Group and the legal opinion of the Group's PRC lawyers and we have prepared our valuation on the following bases:
- (i) Lau Yu Chak is in possession of a legal title to the property and is holding the property on trust for Lei Shing Hong Development Limited, now known as Lei Shing Hong Properties (China) Limited by virtue of a Declaration of Trust dated 24 November 1994, and is entitled to transfer the property with the residual term of the land use right at no additional premium or other costs payable to the government.
 - (ii) All land and other premium as well as other costs relating to the provision of utilities and ancillary services have been or will be completely settled.
 - (iii) The design, construction and completion of the building are in compliance with local planning regulations and have been approved by the relevant government authorities.
 - (iv) Our valuation of the property is subject to the title of the property being transferred to Lei Shing Hong Development Limited by Lau Yu Chak who is holding the property on trust for the Company.
 - (v) Our valuation of the property is based on the aforementioned land area and gross floor area of the building.
 - (vi) Our valuation of the property is based on a 100 per cent attributable interest.
 - (vii) The property may be disposed of freely to purchasers within and outside the PRC.
3. The status of title of the property interest, as well as requisite approvals, consents, certificates, permits and licences relating to the development, use and sale of the property interest in accordance with information provided to us by the Group and the legal opinion of the Group's PRC lawyers are as follows:

Shanghai Certificate of Real Estate Ownership
(Hu Fang Di Chang Zi (2005) No. 027316)

– obtained

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2007
43.	27 Residential Units in Phase 1, Starcrest, Wangjing Dong Yuan Yi Qu, Chaoyang District, Beijing, People's Republic of China.	<p>The property comprises 27 residential units in Phase 1 of Starcrest, a multi-block residential development which is situated in Wangjing Dong Yuan Yi Qu at the northern part of Chaoyang District in the city of Beijing. This phase of Starcrest was completed about 2 years ago.</p> <p>This part of Chaoyang District is about 15 minutes driving distance from Beijing Airport.</p> <p>The various domestic units comprising the subject property are located in various apartment blocks in Phase 1 of Starcrest. All of the flats including their gross floor areas are shown in the schedule below.</p> <p>We are advised by the Group that the total land area which is occupied by Phase 1 is 33,700 sq.m. or thereabouts.</p> <p>The property has been granted a land use term which will expire on 25 June 2065, for residential purposes.</p>	We are advised that, as at the date of valuation, the residential units which comprise the subject property are vacant and awaiting to be sold.	RMB55,640,000

Notes:

- The various residential units which comprise the subject property are shown in the following schedule.

No.	Tower	Floor	Unit	Gross floor area (sq.m.)
1	A	9	A	218.51
2	A	26	D	105.84
3	B	2	F	218.10
4	B	8	F	218.10
5	B	15	F	219.95
6	B	19	F	169.89
7	B	21	F	169.89
8	B	25	C	106.54
9	B	25	F	169.89
10	B	27	C	191.11
11	B	28	F	169.20
12	B	29	B	250.20
13	C	6	A	218.25
14	C	12	A	220.10
15	C	26	A	169.99
16	C	27	B	251.62
17	C	27	D	315.02
18	C	27	F	261.40
19	D	10	F	219.09
20	D	12	F	219.09
21	D	20	E	123.13
22	D	23	E	123.13
23	E	3	B	125.57
24	E	21	F	265.36
25	F	21	A	266.80
26	F	21	B	256.82
27	F	21	D	321.12
Total				5,563.71

2. According to the State-owned Land Use Certificate – Jing Shi Chao Gang Ao Tai Guo Yong (2003 Chu) Zi Di No. 10207 (國有土地使用證 – 京市朝港澳台國用(2003出)字第10207號) dated 31 March 2003 issued by the People’s Government of Beijing Municipality, the land use term in respect of the aforesaid Certificate expires on 25 June 2065, for residential purposes.

The total area of the land for Phases 1 to 4 of Wangjing Residential Area A3 is 134,496 sq.m.

The title in respect of the property is vested in Beijing Bao Xing Property Co., Ltd. (北京寶星置業有限公司), a 95% owned subsidiary of the Company.

3. According to the Certificate of Housing Ownership – Jing Fang Quan Zheng Chao Gang Ao Tai Zi Di No. 0033 (房屋所有權證 – 京房權證朝港澳台字第0033號) dated 12 January 2004, issued by the Beijing Municipal State-owned Land Resources and Housing Administration Bureau, the property (Phase 1 of Starcrest) has a total gross floor area of 113,494.73 sq.m. The title in respect of the property is vested in Beijing Bao Xing Property Co., Ltd. (北京寶星置業有限公司).
4. According to the Beijing Municipal Commodity House Pre-sale Permit – Jing Fang Shou Zheng Zi No. 960 (北京市商品房預售許可證 – 京房售證字960號), Beijing Bao Xing Property Co., Ltd. has the right to pre-sale Building Nos. 1 to 6 (Phase 1) with a gross floor area of 120,410 sq.m.
5. We have relied on all the information as provided to us by the Group and the legal opinion of the Group’s PRC lawyers and we have prepared our valuation on the following bases:
 - (i) The Group is in possession of a legal title to the property and is entitled to transfer the property with the residual term of the land use right at no additional premium or other costs payable to the government.
 - (ii) All land and other premium as well as other costs relating to the provision of utilities and ancillary services have been or will be completely settled.
 - (iii) The design, construction and completion of the buildings in which the various residential units comprising the subject property are located, are in compliance with local planning regulations and have been approved by the relevant government authorities.
 - (iv) The Certificate of Housing Ownership which has been issued for the whole of Phase 1 of Starcrest is applicable to the 27 residential units which comprise the subject property.
 - (v) Our valuation of the property is based on the aforementioned gross floor areas of the 27 residential units.
 - (vi) Our valuation of the property is based on a 100 per cent attributable interest.
 - (vii) The property may be disposed of freely to purchasers within and outside the PRC.
6. The status of title of the property interest, as well as requisite approvals, consents, certificates, permits and licences relating to the development, use and sale of the property interest in accordance with information provided to us by the Group and the legal opinion of the Group’s PRC lawyers are as follows:

State-owned Land Use Certificate (Jing Shi Chao Gang Ao Tai Guo Yong (2003 Chu) Zi Di No. 10207)	– obtained
Certificate of Housing Ownership (Jing Fang Quan Zheng Chao Gang Ao Tai Zi Di No. 0033)	– obtained
Beijing Municipal Commodity House Pre-sale Permit (Jing Fang Shou Zheng Zi No. 960)	– obtained

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2007
44.	13 Residential Units in Phase 2, Starcrest, Wangjing Dong Yuan Yi Qu, Chaoyang District, Beijing, People's Republic of China.	<p>The property comprises 13 residential units in Phase 2 of Starcrest, a multi-block residential development which is situated in Wangjing Dong Yuan Yi Qu at the northern part of Chaoyang District in the city of Beijing. This phase of Starcrest was completed about a year ago.</p> <p>This part of Chaoyang District is about 15 minutes driving distance from Beijing Airport.</p> <p>The various domestic units comprising the subject property are located in various apartment blocks in Phase 2 of Starcrest. All of the flats including their gross floor areas are shown in the schedule below.</p> <p>We are advised by the Group that the total land area which is occupied by Phase 2 is 34,289 sq.m.</p> <p>The property has been granted a land use term which will expire on 25 June 2065, for residential purposes.</p>	We are advised that, as at the date of valuation, the residential units which comprise the subject property are vacant and awaiting to be sold.	RMB21,150,000

Notes:

- The various residential units which comprise the subject property are shown in the following schedule.

No.	Tower	Floor	Unit	Gross floor area (sq.m.)
1	1	17	A	108.17
2	3	1	C	66.25
3	4	29	A	274.91
4	5	29	A	273.88
5	7	9	D	150.07
6	7	29	A	263.27
7	8	21	B	148.39
8	8	29	A	279.64
9	9	12	D	92.34
10	9	18	E	89.49
11	9	26	E	89.49
12	9	28	A	215.92
13	13	3	B	63.04
Total				2,114.86

2. According to the State-owned Land Use Certificate – Jing Shi Chao Gang Ao Tai Guo Yong (2003 Chu) Zi Di No. 10207 (國有土地使用證 – 京市朝港澳台國用(2003出)字第10207號) dated April 2003 issued by the People's Government of Beijing Municipality, the land use term in respect of the aforesaid Certificate expires on 25 June 2065, for residential purposes.

The total area of the land for Phases 1 to 4 of Wangjing Residential Area A3 is 134,496 sq.m.

The title in respect of the property is vested in Beijing Bao Xing Property Co., Ltd. (北京寶星置業有限公司), a 95% owned subsidiary of the Company.

3. According to the Certificate of Housing Ownership – Jing Fang Quan Zheng Chao Gang Ao Tai Zi Di No. 504179 (房屋所有權證 – 京房權證朝港澳台字第 504179號) dated 28 April 2007, issued by the Beijing Municipal Construction Committee, the property (Phase 2 of Starcrest) has a total gross floor area of 122,042.14 sq.m. for residential and car parking space uses. The title in respect of the property is vested in Beijing Bao Xing Property Co., Ltd. (北京寶星置業有限公司).
4. According to the Beijing Municipal Commodity House Pre-sale Permit – Jing Fang Shou Zheng Zi No. (2004) 653 (北京市商品房預售許可證 – 京房售證字(2004) 653號), Beijing Bao Xing Property Co., Ltd. has the right to pre-sale Building Nos. 3-1, 3-2, 3-3 and 3-4 (Phase 2) with a gross floor area of 120,063.44 sq.m.
5. We have relied on all the information as provided to us by the Group and the legal opinion of the Group's PRC lawyers and we have prepared our valuation on the following bases:
- (i) The Group is in possession of a legal title to the property and is entitled to transfer the property with the residual term of the land use right at no additional premium or other costs payable to the government.
 - (ii) All land and other premium as well as other costs relating to the provision of utilities and ancillary services have been or will be completely settled.
 - (iii) The design, construction and completion of the buildings in which the various residential units comprising the subject property are located, are in compliance with local planning regulations and have been approved by the relevant government authorities.
 - (iv) The Certificate of Housing Ownership which has been issued for the whole of Phase 2 of Starcrest is applicable to the 13 residential units which comprise the subject property.
 - (v) Our valuation of the property is based on the aforementioned gross floor areas of the 13 residential units.
 - (vi) Our valuation of the property is based on a 100 per cent attributable interest.
 - (vii) The property may be disposed of freely to purchasers within and outside the PRC.
6. The status of title of the property interest, as well as requisite approvals, consents, certificates, permits and licences relating to the development, use and sale of the property interest in accordance with information provided to us by the Group and the legal opinion of the Group's PRC lawyers are as follows:

State-owned Land Use Certificate (Jing Shi Chao Gang Ao Tai Guo Yong (2003 Chu) Zi Di No. 10207)	– obtained
Certificate of Housing Ownership (Jing Fang Quan Zheng Chao Gang Ao Tai Zi Di No. 504179)	– obtained
Beijing Municipal Commodity House Pre-sale Permit (Jing Fang Shou Zheng Zi No. (2004) 653)	– obtained

			Market value in existing state as at 31 October 2007
Property	Description and tenure	Particulars of occupancy	
45. 151 Car Parking Spaces in Phase 1, Starcrest, Wangjing Dong Yuan Yi Qu, Chaoyang District, Beijing, People's Republic of China.	<p>The property comprises 151 car parking spaces in Phase 1 of Starcrest, a residential development which is being developed in phases and situated in Wangjing Dong Yuan Yi Qu at the northern part of Chaoyang District in the city of Beijing. Phases 1 and 2 of Starcrest are already completed while Phases 3 and 4 of the development are currently being built.</p> <p>This part of Chaoyang District is about 15 minutes driving distance from Beijing Airport.</p> <p>The property comprises a total of 151 car parking spaces which are capable of accommodating 151 cars.</p> <p>We are advised by the Group that the total land area which is occupied by Phase 1 is 33,700 sq.m.</p> <p>The property has been granted a land use term which will expire on 25 June 2065, for residential purposes.</p>	As at the date of valuation, we are advised that the various car parking spaces which comprise the subject property are held for sale but are, for the time being, for visitors' use.	RMB21,140,000

Notes:

1. According to the State-owned Land Use Certificate – Jing Shi Chao Gang Ao Tai Guo Yong (2003 Chu) Zi Di No. 10207 (國有土地使用證 – 京市朝港澳台國用 (2003出)字第10207號) dated 31 March 2003 issued by the People's Government of Beijing Municipality, the land use term in respect of the aforesaid Certificate expires on 25 June 2065, for residential purposes.

The total area of the land for Phases 1 to 4 of Wangjing Residential Area A3 is 134,496 sq.m.

The title in respect of the property is vested in Beijing Bao Xing Property Co., Ltd. (北京寶星置業有限公司), a 95% owned subsidiary of the Company.

2. According to the Certificate of Housing Ownership – Jing Fang Quan Zheng Chao Gang Ao Tai 05 Zi Di No. 0073 (房屋所有權證 – 京房權證朝港澳台05字第0073號) dated 26 July 2005, issued by the Beijing Municipal Construction Committee, the property (Car Parking Spaces and Area for related or associated uses on the basements of Phase 1 Starcrest) has a total gross floor area of 33,758.96 sq.m. The title in respect of the property is vested in Beijing Bao Xing Property Co. Ltd. (北京寶星置業有限公司).
3. We have relied on all the information as provided to us by the Group and the legal opinion of the Group's PRC lawyers and we have prepared our valuation on the following bases:
 - (i) The Group is in possession of a legal title to the property and is entitled to transfer the property with the residual term of the land use right at no additional premium or other costs payable to the government.

- (ii) All land and other premium as well as other costs relating to the provision of utilities and ancillary services have been or will be completely settled.
 - (iii) The design, construction and completion of the building in which the subject car parking spaces are located are in compliance with local planning regulations and have been approved by the relevant government authorities.
 - (iv) The Certificate of Housing Ownership which has been issued for the whole of Phase 1 of Starcrest is applicable to the 151 car parking spaces which comprise the subject property.
 - (v) Our valuation of the property is based on 151 car parking spaces which are capable of accommodating 151 cars.
 - (vi) Our valuation of the property is based on a 100 per cent attributable interest.
 - (vii) The property may be disposed of freely to purchasers within and outside the PRC.
4. The status of title of the property interest, as well as requisite approvals, consents, certificates, permits and licences relating to the development, use and sale of the property interest in accordance with information provided to us by the Group and the legal opinion of the Group's PRC lawyers are as follows:

State-owned Land Use Certificate (Jing Shi Chao Gang Ao Tai Guo Yong (2003 Chu) Zi Di No. 10207)	– obtained
Certificate of Housing Ownership (Jing Fang Quan Zheng Chao Gang Ao Tai 05 Zi Di No. 0073)	– obtained

				Market value in existing state as at 31 October 2007
	Property	Description and tenure	Particulars of occupancy	
46.	431 Car Parking Spaces in Phase 2, Starcrest, Wangjing Dong Yuan Yi Qu, Chaoyang District, Beijing, People's Republic of China.	<p>The property comprises 431 car parking spaces in Phase 2 of Starcrest, a residential development which is being developed in phases and situated in Wangjing Dong Yuan Yi Qu at the northern part of Chaoyang District in the city of Beijing. Phases 1 and 2 of Starcrest are already completed while Phases 3 and 4 of the development are currently being built.</p> <p>This part of Chaoyang District is about 15 minutes driving distance from Beijing Airport.</p> <p>The property comprises a total of 431 car parking spaces which are capable of accommodating 431 cars.</p> <p>We are advised by the Group that the total land area which is occupied by Phase 2 is 34,289 sq.m.</p> <p>The property has been granted a land use term which will expire on 25 June 2065, for residential purposes.</p>	As at the date of valuation, we are advised that the various car parking spaces which comprise the subject property are held for sale but are, for the time being, for visitors' use.	RMB60,340,000

Notes:

1. According to the State-owned Land Use Certificate – Jing Shi Chao Gang Ao Tai Guo Yong (2003 Chu) Zi Di No. 10207 (國有土地使用證 – 京市朝港澳台國用(2003出)字第10207號) dated April 2003 issued by the People's Government of Beijing Municipality, the land use term in respect of the aforesaid Certificate expires on 25 June 2065, for residential purposes.

The total area of the land for Phases 1 to 4 of Wangjing Residential Area A3 is 134,496 sq.m.

The title in respect of the property is vested in Beijing Bao Xing Property Co., Ltd. (北京寶星置業有限公司), a 95% owned subsidiary of the Company.

2. According to the Certificate of Housing Ownership – Jing Fang Quan Zheng Chao Gang Ao Tai Zi Di No. 504179 (房屋所有權證 – 京房權證朝港澳台字第504179號) dated 28 April 2007, issued by the Beijing Municipal Construction Committee, the property (Phase 2 of Starcrest) has a total gross floor area of 122,042.14 sq.m. for residential and car parking space uses. The title in respect of the property is vested in Beijing Bao Xing Property Co., Ltd. (北京寶星置業有限公司).
3. We have relied on all the information as provided to us by the Group and the legal opinion of the Group's PRC lawyers and we have prepared our valuation on the following bases:
 - (i) The Group is in possession of a legal title to the property and is entitled to transfer the property with the residual term of the land use right at no additional premium or other costs payable to the government.
 - (ii) All land and other premium as well as other costs relating to the provision of utilities and ancillary services have been or will be completely settled.

- (iii) The design, construction and completion of the building in which the subject car parking spaces are located are in compliance with local planning regulations and have been approved by the relevant government authorities.
 - (iv) The Certificate of Housing Ownership which has been issued for the whole of Phase 2 of Starcrest is applicable to the 431 car parking spaces which comprise the subject property.
 - (v) Our valuation of the property is based on 431 car parking spaces which are capable of accommodating 431 cars.
 - (vi) Our valuation of the property is based on a 100 per cent attributable interest.
 - (vii) The property may be disposed of freely to purchasers within and outside the PRC.
4. The status of title of the property interest, as well as requisite approvals, consents, certificates, permits and licences relating to the development, use and sale of the property interest in accordance with information provided to us by the Group and the legal opinion of the Group's PRC lawyers are as follows:
- | | |
|--|------------|
| State-owned Land Use Certificate
(Jing Shi Chao Gang Ao Tai Guo Yong
(2003 Chu) Zi Di No. 10207) | – obtained |
| Certificate of Housing Ownership
(Jing Fang Quan Zheng Chao Gang
Ao Tai Zi Di No. 504179) | – obtained |

			Market value in existing state as at 31 October 2007
Property	Description and tenure	Particulars of occupancy	
47. Clubhouse, Phase 1, Starcrest, Wangjing Dong Yuan Yi Qu, Chaoyang District, Beijing, People's Republic of China.	<p>The property comprises a clubhouse and 8 shops in Phase 1 of Starcrest, a residential development which is situated in Wangjing Dong Yuan Yi Qu in the northern part of Chaoyang District in the city of Beijing.</p> <p>This part of Chaoyang District is about 15 minutes driving distance from Beijing Airport.</p> <p>We are advised that the total gross floor area of the clubhouse including 8 shops is approximately 1,835.40 sq.m. whilst the gross floor area of the clubhouse itself is 957.49 sq.m.</p> <p>The clubhouse is located at Basement 1 below Blocks 2 and 3 in Phase 1 with entrances at both ground floor and the Basement 1 car park. The clubhouse and shops are built for the benefit of residents with the shops providing daily necessities and services.</p> <p>Facilities in the clubhouse include a gymnasium, sauna and steaming room, jacuzzi, reading room, children's playroom, karaoke room, chess/card room, yoga and aerobic room, and shuffle ball and computer room.</p> <p>As the clubhouse forms part of Phase 1 of the development, it has the same land use term as Phases 1, 2, 3 and 4, which expires on 25 June 2065, for residential purposes.</p>	As at the date of valuation, the property is occupied for use as a clubhouse by the residents of Phase 1 of Starcrest whilst the adjacent 8 shops provide goods and services for the residents.	RMB7,500,000

Notes:

1. According to the State-owned Land Use Certificate – Jing Shi Chao Gang Ao Tai Guo Yong (2003 Chu) Zi Di No. 10207 (國有土地使用證 – 京市朝港澳台國用(2003出)字第10207號) dated April 2003 issued by the People's Government of Beijing Municipality, the land use term in respect of the aforesaid Certificate expires on 25 June 2065, for residential purposes.

The total area of the land for Phases 1 to 4 of Wangjing Residential Area A3 is 134,496 sq.m.

The title in respect of the property is vested in Beijing Bao Xing Property Co., Ltd. (北京寶星置業有限公司), a 95% owned subsidiary of the Company.

2. According to the Certificate of Housing Ownership – Jing Fang Quan Zheng Chao Gang Ao Zi Di No. 0033 (房屋所有權證 – 京房權證朝港澳台字第0033號) dated 12 January 2004, issued by the Beijing Municipal State-owned Land Resources and Housing Administration Bureau, the property (Phase 1 of Starcrest) has a total gross floor area of 113,494.73 sq.m. The title in respect of the property is vested in Beijing Bao Xing Property Co., Ltd. (北京寶星置業有限公司).
3. We have relied on all the information as provided to us by the Group and the legal opinion of the Group's PRC lawyers and we have prepared our valuation on the following bases:
 - (i) The Group is in possession of a legal title to Phase 1 of the development of which the subject property forms a part.
 - (ii) All land and other premium as well as other costs relating to the provision of utilities and ancillary services have been or will be completely settled.
 - (iii) Our valuation of the property is based on the gross floor area of the clubhouse and adjacent shops which, we are advised, is 1,835.40 sq.m. approximately.
 - (iv) The design, construction and completion of the buildings in which the clubhouse is located are in compliance with local planning regulations and have been approved by the relevant government authorities.
 - (v) Our valuation of the property is based on a 100 per cent attributable interest.
 - (vi) The property is for the use of residents of Phase 1, who need to pay to use the facilities in the clubhouse as well as pay for the goods and services in the shops.
4. The status of title of the property interest, as well as requisite approvals, consents, certificates, permits and licences relating to the development, use and sale of the property interest in accordance with information provided to us by the Group and the legal opinion of the Group's PRC lawyers are as follows:

State-owned Land Use Certificate (Jing Shi Chao Gang Ao Tai Guo Yong (2003 Chu) Zi Di No. 10207)	– obtained
Certificate of Housing Ownership (Jing Fang Quan Zheng Chao Gang Ao Zi Di No. 0033)	– obtained

			Market value in existing state as at 31 October 2007
Property	Description and tenure	Particulars of occupancy	
48. Phases 3 and 4, Starcrest, Wangjing Dong Yuan Yi Qu, Chaoyang District, Beijing, People's Republic of China.	<p>The property comprises two phases of the development known as Starcrest, which are being developed on a parcel of land. Phases 1 and 2 of Starcrest have already been completed whilst Phases 3 and 4 of Starcrest, which are the subject of this valuation are being built.</p> <p>The property is situated in Wangjing Dong Yuan Yi Qu of Chaoyang District in the city of Beijing about 15 minutes' driving distance from Beijing Airport.</p> <p>We are advised that the proposed development being constructed in Phase 3 of Starcrest will comprise a residential complex incorporating retail and other related uses and facilities, such as a clubhouse, etc. There will be 6 residential blocks ranging in height from 5 storeys to 22 storeys with landscaping on ground floor, car parking on two basements, a clubhouse for the benefit of residents and the public as well as retail and other facilities.</p> <p>Phase 4 of the development will comprise a commercial building located adjacent to Phases 2 and 3 and will accommodate various commercial and retail uses including a mega convenient store and other uses and facilities such as a cinema.</p>	As at the date of valuation, Phases 3 and 4 are being developed with construction works up to about the 10th to 12th levels for some of the buildings in Phase 3.	RMB635,000,000

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2007
	At the time of our recent inspection, construction works in Phases 3 and 4 up to about the 10th to 12th levels for a number of the buildings in Phase 3.		
	According to the State-owned Land Use Certificate, Jing Shi Chao Gang Ao Tai Guo Yong (2003 Chu) Zi Di No. 10207 dated 31 March 2003, a copy of which was provided to us, the total land area occupied by Phases 1 and 2 and to be occupied by 3 and 4 is 134,496 sq.m.		
	We are advised by the Group that the total land area which is occupied by Phases 3 and 4 is 66,507 sq.m.		
	According to the Construction Project Planning Permit, a copy of which was provided to us, the gross floor area of the proposed development in Phase 3 is 119,992 sq.m. We are advised that the total gross floor area of the proposed Commercial Building in Phase 4 is about 56,910 sq.m.		
	The property has been granted a land use term expiring on 25 June 2065 for residential purposes.		

Notes:

- According to the Beijing City and Town State-owned Land Use Rights Sales Contract dated 26 June 1995 and Land Use Conditions also dated 26 June 1995 entered into between Beijing Municipal Land Administration Bureau (北京市土地管理局) (“Party A”) and Beijing Bao Xing Property Co., Ltd. (北京寶星置業有限公司) (“Party B”), a 95% owned subsidiary of the Company, the salient conditions are as follows:
 - The total area of the land (Phases 1, 2, 3 and 4) is 134,496 sq.m. while the planning gross floor area is 340,000 sq.m.

The Land Use Conditions

- | | | |
|-------|-------------------------|---|
| (ii) | Land characteristics: | (a) Residential with facilities
(b) Commercial |
| (iii) | Plot ratio: | 1 : 2.5 |
| (iv) | Site coverage: | 35% |
| (v) | Total gross floor area: | not exceeding 340,000 sq.m. |
| (vi) | Height: | not exceeding 60m |
| (vii) | Landscape: | 30% |

2. According to the Certificate of State-owned Land Use – Jing Shi Chao Gang Ao Tai Guo Yong (2003 Chu) Zi Di No. 10207 (國有土地使用證 – 京市朝港澳台國用 (2003出)字第10207號) dated 31 March 2003 and issued by the Beijing Municipal State-owned Land Resources and Housing Administration Bureau, the land use term in respect of the aforesaid Certificate is for a term expiring on 25 June 2065, for residential purposes. The total land area to be occupied by Phases 1, 2, 3 and 4 is 134,496 sq.m. approximately.

The title in respect of the property is vested in Beijing Bao Xing Property Co., Ltd. (北京寶星置業有限公司).

3. According to the Agreement of Land Development Costs of Area A3 of Wang Jing New City and Matters of Responsibilities for each Eligible Party (the “Agreement”) entered into between Beijing City Development Group Ltd. (北京城市開發集團有限責任公司) (“Party A”) and Merito Enterprises Ltd. (米瑞特有限公司) dated 1 November 2000, both parties are the shareholders of the Company, Beijing Bao Xing Property Co., Ltd. (北京寶星置業有限公司).

We are advised that the agreed total Land Development Cost in respect of the aforementioned Area A3 is RMB460,650,010.

We are advised that the aforesaid land development cost encompasses costs relating to demolition and relocation, site clearance, the supplies of water, electricity and gas and the installation and provision of drainage for sewage and rain water as well as telephone lines, and roads, etc.

4. According to the Construction Project Planning Permits – 2005 Gui (Chao) Jian Zi Nos. 0701, 0702, 0703, 0704, 0705 and 2006 Gui (Chao) Jian Zi Nos. 0099 and 0100 (建設工程規劃許可證 – 2005規(朝)建字0701, 0702, 0703, 0704, 0705號及2006規(朝)建字0099及0100號), Phase 3 has the following proposed gross floor areas (GFA) relating to the proposed development:

Proposed residential:	69,475 sq.m.
Proposed Basement 1 and 2:	21,750 sq.m.
Proposed retail:	10,105 sq.m.
Proposed car park:	18,662 sq.m.
Total GFA:	<u>119,992 sq.m.</u>

According to the above-mentioned Permits under Note 4, the total area of the bomb shelter in Phase 3 is 354.76 sq.m.

5. According to the Construction Project Works Permit – (2006) Shi (Chao) Jian Zi No. 0092 (建設工程開工許可証 – (2006)施(朝)建字0092號) dated 27 March 2007 issued by the Construction Committee of Beijing Municipality Chaoyang District, the construction costs for Phase 3 is RMB268,040,000 and the completion date of the construction project is on 21 January 2008.
6. According to the Construction Project Planning Permit – 2007 Gui Jian Zi No. 0012 (建設工程規劃許可證 – 2007規建字 0012號), the proposed gross floor areas of the Commercial Building (Phase 4) to be built on the site adjacent to Phase 2 and Phase 3 are as follows:

	Gross Floor Area (sq.m.)	No. of storeys
Above ground:	35,990	5-6
Below ground:	<u>20,920</u>	2
Total:	<u>56,910</u>	

We are advised that there is a proposal to build about 517 car parking spaces in the basement of the Commercial Building.

7. According to the Construction Project Works Permit – (2007) Shi (Chao) Jian Zi No. 0088 (建設工程開工許可証 – (2007)施(朝)建字0088號) (dated 10 April 2007 issued by the Construction Committee of Beijing Municipality Chaoyang District, the construction cost for Phase 4 is RMB177,000,000 and the completion date of the construction project is on 12 December 2007.

8. We have relied on all the information as provided to us by the Group and the legal opinion of the Group's PRC lawyers and we have prepared our valuation on the following bases:
- (i) The Group is in possession of a legal title to the property and is entitled to transfer the property with the residual term of the land use right at no additional premium or other costs payable to the government.
 - (ii) All land and other premium as well as other costs relating to the provision of utilities and ancillary services have been or will be completely settled.
 - (iii) Our valuation of the property i.e. Phases 3 and 4, is based on a portion of the land area, which we are advised by your Group is 66,507 sq.m. or thereabouts.
 - (iv) Our valuation is also based on the aforementioned total gross floor areas of the proposed development in Phase 3 and those of the proposed Commercial Building in Phase 4. Our valuation of Phases 3 and 4 is therefore on the basis that the Group will be able to develop these two phases to the aforementioned total gross floor areas.
 - (v) Our valuation has taken into account the portion of the land development cost as mentioned above which was fully paid as at 31 December 2006.
- We are advised by the Group that the total construction costs for Phases 3 and 4 up till 31 October 2007 are RMB593,000,000.
- (vi) We are advised by the Group that the estimated total cost of completing the development is RMB1,033,000,000 and the anticipated completion date for Phase 3 and Phase 4 is by end of June 2009 and by end of 2008 respectively.
 - (vii) The estimated value after the development has been completed is RMB1,690,000,000.
 - (viii) The design of the proposed buildings being erected on the land shall be in compliance with local planning regulations and the construction and eventual completion of the buildings shall be approved by the relevant government authorities in due course.
 - (ix) Our valuation of the property is based on a 100 per cent attributable interest.
 - (x) The property may be disposed of freely to purchasers within and outside the PRC.
9. The status of title of the property interest, as well as requisite approvals, consents, certificates, permits and licences relating to the development, use and sale of the property interest in accordance with information provided to us by the Group and the legal opinion of the Group's PRC lawyers are as follows:

Beijing City and Town State-owned Land Use Rights Sales Contract (dated 26 June 1995)	– signed
State-owned Land Use Certificate of the People's Republic of China – for Phases 1, 2, 3 and 4	– obtained
Agreement of Land Development Costs of Area A3 of Wang Jing New City (1 November 2000)	– signed
Construction Project Planning Permits – for Phase 3 (2005 Gui (Chao) Jian Zi Nos. 0701, 0702, 0703, 0704, 0705 and 2006 Gui (Chao) Jian Zi Nos. 0099 and 0100)	– obtained
Construction Project Works Permit – for Phase 3 ((2006) Shi (Chao) Jian Zi No. 0092)	– obtained
Construction Project Planning Permit – for Phase 4 – Commercial Building (2007 Gui Jian Zi No. 0012)	– obtained
Construction Project Works Permit – for Phase 4 – Commercial Building (2007) Shi (Chao) Jian Zi No. 0088	– obtained

			Market value in existing state as at 31 October 2007
Property	Description and tenure	Particulars of occupancy	
49. Unit 501, Tower 8, Units 501, 1104, 1502 and 3102, Tower 10, Units 101, 201, 202 and 203, Tower 11 and 220 Car Parking Spaces, Lots A and B, Nos. 1319, 1329 and 1339 Yanan West Road, Shanghai, People’s Republic of China.	<p>The property comprises nine residential units and 220 car parking spaces in a multi-storey residential/office/commercial development situated at Yanan West Road close to Dingxi Road within Changning District in the city of Shanghai. Tianshan Park is located about several hundred metres to the west of the property while Yanan West Road which is part of an elevated roadway is located to the south of the property.</p> <p>The property forms part of a multi-storey residential/office/commercial development consisting of three residential blocks ranging in height from 18 to 33 storeys, a 21-storey office building and a 5-storey commercial block occupying two parcels of land having a total area of approximately 15,363 sq.m. Part of the basement below the development is designed for car parking and other purposes.</p> <p>All of the subject residential units are located within three tower blocks in the development whilst all of the 220 car parking spaces are located in the basement of the development. The total gross floor area of the residential units is 955.24 sq.m.</p>	As at the date of valuation, the residential units and car parking spaces which comprise the subject property are vacant and held for sale.	RMB52,100,000

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2007
	<p>The gross floor area in respect of the basement is approximately 8,011.12 sq.m. and out of this area, approximately 3,506.78 sq.m. is in respect of the car park.</p> <p>According to two copies of the Shanghai Certificate of Real Estate Ownership in respect of the land, which were provided to us, one of the parcels of land has two parts of which their respective areas are 1,672 sq.m. and 3,164 sq.m. or thereabouts. The other parcel of land has an area of approximately 10,527 sq.m. The total area of both parcels of land i.e. the total of the abovementioned areas is therefore approximately 15,363 sq.m.</p> <p>Each of the two parcels of land has been granted a State-owned land use right for the respective terms of 50 years and 70 years for multi-uses and residential uses respectively.</p>		

Notes:

1.
- The nine residential units which comprise the subject property are shown in the following schedule.

No.	Tower	Unit	Level	Gross floor area (sq.m.)
1329	8	501	4	110.95
1329	10	501	4	101.44
1329	10	1502	12	71.57
1329	11	201	2	136.15
1329	11	202	2	70.93
1329	11	203	2	119.33
1329	11	101	1	135.94
1329	10	1104	10	137.38
1329	10	3102	27	71.55
Total				955.24

2. According to the Certificates of Real Estate Ownership – Hu Fang Di Chang Zi (2004) Nos. 033236, 033239 and 033300 (房地產權證 – 滬房地長字(2004)第033236, 033239及033300號) all dated 5 November 2004 and issued by the Shanghai Housing and Land Resources Administration Bureau, the breakdown of the areas of the different lots is as follows:

Land No.	Certificate No.	Area
(i) Changning District Hua Yang Lu Jie Dao 30 Jie Fang 2/1 Qiu	No. 033236	1,672 sq.m.
Changning District Hua Yang Lu Jie Dao 30 Jie Fang 2/1 Qiu	No. 033239	3,164 sq.m.
Changning District Hua Yang Lu Jie Dao 30 Jie Fang 2/1 Qiu	No. 033300	10,527 sq.m.
(ii) The total area of the land is 15,363 sq.m.		
(iii) The land use terms of the various lots are as follows:		
No. 033236:	14 January 1999 to 13 January 2049.	
No. 033239:	31 August 2000 to 30 August 2050.	
No. 033300:	31 August 2000 to 30 August 2070.	

- (iv) The titles in respect of the three lots are vested in the following companies:

No. 033236:	Shanghai Xin Shang Guang Economic Development Co., Ltd.(上海新上廣經濟發展有限公司)
No. 033239:	Shanghai Lee Kwok Property Co., Ltd. (上海利國房地產有限公司) (a 100% owned subsidiary of the Company)
No. 033300:	Shanghai Lee Kwok Property Co., Ltd. (上海利國房地產有限公司)

3. According to the Certificate of Real Estate Ownership – Hu Fang Di Chang Zi (2006) Di No. 015549 (房地產權證 – 滬房地長字(2006)第015549號) dated 8 August 2006, issued by the Shanghai Housing and Land Resources Administration Bureau, the property has a land area of 15,421 sq.m. and the total gross floor area of 44,582.16 sq.m. with a land use term commencing on 31 August 2000 and expiring on 30 August 2070, for multi-purpose uses (residential, office and commercial). The title in respect of the property is vested in Shanghai Lee Kwok Property Co., Ltd. (上海利國房地產有限公司).
4. According to the Certificate of Real Estate Ownership – Hu Fang Di Chang Zi (2007) Di No.014000 (房地產權證 – 滬房地長字(2007)第014000號) dated 2 August 2007, issued by the Shanghai Housing and Land Resources Administration Bureau, the property has a total gross floor area of 19,525.71 sq.m. with a land use term commencing on 31 August 2000 and expiring on 30 August 2050, for multi-purpose uses. The title in respect of the property is vested in Shanghai Lee Kwok Property Co., Ltd. (上海利國房地產有限公司).
5. According to the Commodity House Pre-sale Permit – Changning Fang Di (2004) Yu Zi No. 0001298 and Changning Fang Di (2005) Yu Zi No. 0000218 (上海市商品房預售許可證 – 長寧房地(2004)預字0001298號及長寧房地(2005)預字0000218號) issued by the Shanghai Changning District Housing and Land Administration Bureau dated 30 December 2004 and 27 February 2005 respectively, the gross floor area above ground is 21,093.90 sq.m. and 24,636.19 sq.m. respectively, both for residential purposes.
6. We have relied on all the information as provided to us by the Group and the legal opinion of the Group's PRC lawyers and we have prepared our valuation on the following bases:
- (i) The Group is in possession of a legal title to the property but excluding a part (Shanghai Certificate of Real Estate Ownership, Hu Fang Di Chang Zi (2004) No. 033236) (上海房地產權證 – 滬房地長字(2004)第033236號) and is entitled to transfer the property with the residual term of the land use right at no additional premium or other costs payable to the government.

- (ii) All land and other premium as well as other costs relating to the provision of utilities and ancillary services have been or will be completely settled.
 - (iii) Our valuation of the property is based on the total gross floor area of the subject residential units of 955.24 sq.m. and the total number of car parking spaces of 220.
 - (iv) The design, construction and completion of the development in which the subject residential units and car parking spaces are located are in compliance with local planning regulations and have been approved by the relevant government authorities.
 - (v) Our valuation of the property is based on a 100 per cent attributable interest.
 - (vi) The property may be disposed of freely to purchasers within and outside the PRC.
7. The status of title of the property interest, as well as requisite approvals, consents, certificates, permits and licences relating to the development, use and sale of the property interest in accordance with information provided to us by the Group and the legal opinion of the Group’s PRC lawyers are as follows:
- | | |
|--|------------|
| Certificates of Real Estate Ownership
(Hu Fang Di Chang Zi (2004)
Nos. 033236, 033239 and 033300) | – obtained |
| Certificate of Real Estate Ownership
(Hu Fang Di Chang Zi (2006) Di No. 015549) | – obtained |
| Certificate of Real Estate Ownership
(Hu Fang Di Chang Zi (2007) Di No.014000) | – obtained |
| Commodity House Pre-sale Permits
(Changning Fang Di (2004) Yu Zi No. 0001298 and
Changning Fang Di (2005) Yu Zi No. 0000218) | – obtained |

			Market value in existing state as at 31 October 2007
Property	Description and tenure	Particulars of occupancy	
50.	<p>Land Lot No. 7, Chengdu Road, Jingan District, Shanghai, People's Republic of China.</p> <p>The property comprises a piece of vacant land situated at Chengdu Road and close to its junction with Dagu Road within Jingan District in the city of Shanghai. Yan An Zhong Road, which is part of an elevated roadway, is located to the south of the property whilst People's Square is sited several hundred metres to the east of the property. The Bund is about 10 minutes' driving distance from the property.</p> <p>The land is slightly above road level and is mainly landscaped with some trees and greenery.</p> <p>According to the Shanghai Certificate of Real Estate Ownership, a copy of which was provided to us, the total land area is 7,358 sq.m. The property is subject to a State-owned Land Use term commencing on 19 August 1998 and expiring on 14 October 2045, for multi- purpose uses (commercial/office).</p> <p>We are advised by the Group that the property is to be held as a land bank at the present time.</p>	As at the date of valuation, the property is vacant and held for future development. As at the date of valuation, the Group does not have an existing plan for the development of the property.	RMB506,000,000

Notes:

- According to the Certificate of Real Estate Ownership – Hu Fang Di Shi Zi (1998) No. 100349 (房地產權證 – 滬房地市字(1998)100349號) dated 27 August 1998 issued by the Shanghai Municipal Real Estate and Land Administration Bureau, the land use term in respect of the aforesaid Certificate commenced on 19 August 1998 and will expire on 14 October 2045, for multi-purpose uses (commercial/office).
 - The total area of the land is 7,358 sq.m.
 - The land number is Wei Hai Jie Dao 38 Jie Fang 24/1 Qiu.
 - The title in respect of the property is vested in Lei Sing Property Development (Shanghai) Ltd. (利成房地產發展(上海)有限公司). This company is 95% owned by a 100% owned subsidiary of the Company, Kido Developments Ltd. (利股發展有限公司) and 5% owned by Shanghai Hong Cheng City Construction Development Company (上海宏成城市建設開發公司).
- We have relied on all the information as provided to us by the Group and the legal opinion of the Group's PRC lawyers and we have prepared our valuation on the following bases:
 - The Group is in possession of a legal title to the property and is entitled to transfer the property with the residual term of the land use right at no additional premium or other costs payable to the government.
 - All land and other premium as well as other costs relating to the provision of utilities and ancillary services will be completely settled.

- (iii) Our valuation of the property is of the land with development potential and is based on the aforementioned land area and the total gross floor area of the proposed development to be built on the land, which we are advised by the Group is approximately 44,148 sq.m.
 - (iv) No account is taken in our valuation of any land premium or other premium which might be payable upon development of the property in due course.
 - (v) No account is taken in our valuation of any penalty that may be imposed for the delay in the development of the property.
 - (vi) Our valuation of the property is based on a 100 per cent attributable interest.
 - (vii) The property may be disposed of freely to purchasers within and outside the PRC.
3. The status of title of the property interest, as well as requisite approvals, consents, certificates, permits and licences relating to the development, use and sale of the property interest in accordance with information provided to us by the Group and the legal opinion of the Group's PRC lawyers are as follows:

Certificate of Real Estate Ownership – obtained
(Hu Fang Di Shi Zi (1998) No. 100349)

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2007
51.	LSH Plaza, No. 28, Area B, Wangjing New City, Chaoyang District, Beijing, People's Republic of China.	<p>The property comprises a multi-storey commercial/office development being constructed on a parcel of land situated in Wangjing New City, a large area designated for new developments in the northern part of Chaoyang District in the city of Beijing. This part of Chaoyang District is about 15 minutes' driving distance from Beijing Airport.</p> <p>The development being constructed on the land comprises three multi-storey modern office buildings, ranging in height between 18 and 20 storeys, and erected over a podium which will accommodate commercial and retail uses including shops, restaurants, showrooms, etc. There will be a 2-level basement for car parking purposes.</p> <p>The land upon which the aforementioned development is being built is irregular in shape and according to a copy of the People's Republic of China State-owned Land Use Certificate, which was provided to us, has an area of approximately 31,988 sq.m.</p> <p>We understand that the land will be bounded by three made-up roads when the area is developed in due course although one of the roads is already made up.</p> <p>At the time of our inspection, the superstructure of the three office towers have been completed with glass curtain walls being installed. Other construction and site works are being undertaken and are expected to be completed by the second quarter of 2008.</p>	As at the date of valuation, the property is being developed and construction of the development is expected to be completed by the second quarter of 2008.	RMB993,000,000

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2007
	We are given to understand by the Group that the proposed total gross floor area of the development and the proposed number of car parking spaces on a preliminary basis are as follows:		
	Office	Block A: 37,050.90 sq.m. Block B: 36,137.50 sq.m. Block C: 40,630.16 sq.m.	
	Retail	Block A: 3,720.00 sq.m. Block B: 2,011.93 sq.m.	
	Basement:	55,438.69 sq.m.	
	Total:	174,989.18 sq.m.	
	Car Park	1st Level: 18 spaces Basement 1: 464 spaces Basement 2: 480 spaces M/Level: 64 spaces	
	Total:	1,026 spaces	

Note: We are advised that there will be a bomb shelter in the proposed development amounting to an area of 448 sq.m. approximately. Together with this area, the total construction area of the development, which is stated in the Construction Project Planning Permit and Construction Project Works Permit is 175,437.18 sq.m. (174,989.18 sq.m. + 448 sq.m.)

According to a copy of the aforesaid People’s Republic of China State-owned Land Use Certificate, the property has been granted land use terms of 40 years for commercial use and 50 years for office use both terms expiring on 29 August 2044 and 29 August 2054 respectively.

Notes:

- According to the Beijing Municipal State-owned Land Use Rights Transfer Registration List, Jing Di (Zhuan) Zi (2006) Di No. 023 (北京市國有土地使用權轉讓登記表 – 京地(轉)字(2006)第023號) issued by the Beijing Municipal State-owned Land Resources Bureau, the property has a gross floor area of 159,000 sq.m. for commercial and office uses with a land use term for commercial use commencing 9 March 2006 and expiring on 29 August 2044 and with a land use term for office use commencing 9 March 2006 and expiring on 29 August 2054.

The sale price for the land is RMB96,200,000 whilst the transfer cost in respect of the land is RMB424,287,000.

The transferee of the property as stated in the above-mentioned List is Beijing Lixing Property Development Co. Ltd. (北京利星房地產開發有限公司), a 100% owned subsidiary of the Company.

2. According to the People's Republic of China State-owned Land Use Certificate – Jing Chao Guo Yong (2005 Chu) Di No. 0709 (國有土地使用證 – 京朝國用(2005出)第0709號) dated 29 April 2006 issued by the People's Government of Beijing Municipality, the property has a land area of 31,988 sq.m. with a land use term of 40 years for commercial use and 50 years for office use both terms expiring on 29 August 2044 and 29 August 2054 respectively. The title of the aforesaid Certificate is vested in Beijing Lixing Property Development Co. Ltd. (北京利星房地產開發有限公司).
3. According to the Construction Project Planning Permit – 2006 Gui Jian Zi No. 0559 (建設工程規劃許可證2006規建字0559號) dated 30 November 2006 and the Construction Project Works Permit 2006 (Jian) No. 084 (建築工程施工許可證 – 2006(建)084號) dated 20 April 2006, the property has a construction area of 175,437.18 sq.m. Construction works on the site commenced on 1 May 2006 and will be completed on 1 July 2008.
4. We have relied on all the information as provided to us by the Group and the legal opinion of the Group's PRC lawyers and we have prepared our valuation on the following bases:
 - (i) The Group is in possession of a legal title to the property and is entitled to transfer the property with the residual term of the land use right at no additional premium or other costs payable to the government.
 - (ii) All land and other premium as well as other costs relating to the provision of utilities and ancillary services have been or will be completely settled.
 - (iii) Our valuation of the property is based on the land area of 31,988 sq.m. as stated in the aforementioned State-owned Land Use Right Certificate and also on the proposed total gross floor area of approximately 174,989.18 sq.m. plus the proposed 1,026 car parking spaces, both of the latter are according to information provided to us by the Group. Our valuation of the property is therefore on the basis that the Group will be able to develop the property based on the aforementioned total gross floor area and car parking spaces.
 - (iv) We are advised by the Group that the total cost expended on the property up till 31 October 2007 is about RMB736,000,000.
 - (v) We are advised by the Group that the estimated total cost of completing the development is RMB1,082,000,000 and the anticipated completion date is in the middle of 2008.
 - (vi) The estimated value after the development has been completed is RMB1,460,000,000.
 - (vii) The design and construction of the buildings being erected on the land shall be in compliance with local planning regulations and the eventual completion of the buildings and the whole development shall be approved by the relevant government authorities in due course.
 - (viii) Our valuation of the property is based on a 100 per cent attributable interest.
 - (ix) The property may be disposed of freely to purchasers within and outside the PRC.
5. The status of title of the property interest, as well as requisite approvals, consents, certificates, permits and licences relating to the development, use and sale of the property interest in accordance with information provided to us by the Group and the legal opinion of the Group's PRC lawyers are as follows:

Beijing Municipal State-owned Land Use Rights Transfer Registration List (Jing Di (Zhuan) Zi (2006) Di No. 023)	– obtained
State-owned Land Use Certificate of the People's Republic of China (Jing Chao Guo Yong (2005 Chu) Di No. 0709)	– obtained
Construction Project Planning Permit (2006 Gui Jian Zi No. 0559)	– obtained
Construction Project Works Permit (2006 (Jian) No. 084)	– obtained

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2007																																	
52.	House Nos. B-0111, D-0231 and D-0251, RITS Garden, Tianzhu Zhen, Shunyi District, Beijing, People’s Republic of China.	<p>The property comprises three 2-storey detached houses each with a basement situated in RITS Garden, a large high class good quality residential estate located in Tianzhu Zhen, Shunyi District, about 15 minutes’ driving distance from Beijing Airport. All of the houses in the estate were completed about a year ago.</p> <p>The subject houses which comprise three out of a number of houses of different designs are within a well planned residential estate which occupies an irregular shape parcel of land which, according to the Beijing Municipal Commodity House Pre-sale Contract, has an area of 113,447 sq.m.</p> <p>According to the aforementioned Pre-sale Contract and the Supplementary Agreements, the houses have a revised total gross floor area of 1,364.69 sq.m. which is made up as follows:</p> <table><tr><th>House No.</th><th>Gross Floor Area (sq.m.)</th><th>Total GFA (sq.m.)</th></tr><tr><td>B-0111</td><td></td><td></td></tr><tr><td>– Basement</td><td>177.52</td><td></td></tr><tr><td>– 1st and 2nd levels</td><td>371.31</td><td>548.83</td></tr><tr><td>D-0231</td><td></td><td></td></tr><tr><td>– Basement</td><td>122.26</td><td></td></tr><tr><td>– 1st and 2nd levels</td><td>285.67</td><td>407.93</td></tr><tr><td>D-0251</td><td></td><td></td></tr><tr><td>– Basement</td><td>122.26</td><td></td></tr><tr><td>– 1st and 2nd levels</td><td>285.67</td><td>407.93</td></tr><tr><td>Total</td><td></td><td>1,364.69</td></tr></table>	House No.	Gross Floor Area (sq.m.)	Total GFA (sq.m.)	B-0111			– Basement	177.52		– 1st and 2nd levels	371.31	548.83	D-0231			– Basement	122.26		– 1st and 2nd levels	285.67	407.93	D-0251			– Basement	122.26		– 1st and 2nd levels	285.67	407.93	Total		1,364.69	As at the date of valuation, the subject houses are vacant and awaiting to be rented out.	RMB27,300,000
House No.	Gross Floor Area (sq.m.)	Total GFA (sq.m.)																																			
B-0111																																					
– Basement	177.52																																				
– 1st and 2nd levels	371.31	548.83																																			
D-0231																																					
– Basement	122.26																																				
– 1st and 2nd levels	285.67	407.93																																			
D-0251																																					
– Basement	122.26																																				
– 1st and 2nd levels	285.67	407.93																																			
Total		1,364.69																																			
		<p>House B-0111 has a garden area of 567.60 sq.m. whilst Houses D-0231 and D-0251 each has a garden area of 435.00 sq.m. and 720.90 sq.m. respectively.</p> <p>The property has been granted a State-owned Land Use Right for a term of 70 years expiring on 25 May 2073.</p>																																			

Notes:

1. According to the Beijing Municipal Commodity House Pre-sale Contract and the Supplementary Agreements Nos. Y294312, Y294286 and Y294196 (北京市商品房預售合同 – Y294312, Y294286及Y294196號) dated 16 July 2006, entered into between Beijing Jing Long Tian Cheng Real Estate Development Co., Ltd. (北京京龍天誠房地產開發有限公司) and Bright Sino Trading Ltd. (博盈貿易有限公司), a 100% owned subsidiary of the Company, the property has been granted a land use term of 70 years expiring on 25 May 2073. The total gross floor areas of House Nos. B-0111, D-0231 and D-0251 are respectively 547.73 sq.m., 405.47 sq.m. and 405.47 sq.m. together with garden areas of respectively 567.60 sq.m., 435.00 sq.m. and 720.90 sq.m.

The consideration in respect of House B-0111 in accordance with the Beijing Commodity House Pre-sale Contract (No. Y294312) is RMB8,330,000 which is based on a gross floor area of 547.73 sq.m. which is equivalent to RMB15,208.22 per sq.m. The consideration in respect of House D-0231 in accordance with the Beijing Commodity House Pre-sale Contract (No. Y294286) is RMB5,390,000 which is based on a gross floor area of 399.84 sq.m. which is equivalent to RMB13,480.39 per sq.m. The consideration in respect of House D-0251 in accordance with the Beijing Commodity House Pre-sale Contract (No. Y294196) is RMB6,272,000 which is based on a gross floor area of 399.84 sq.m. which is equivalent to RMB15,686.27 per sq.m.

However, in accordance with the Supplementary Agreement of the Beijing Commodity House Pre-sale Contract (No. Y294312), the consideration of RMB8,330,000 in respect of House B-0111 is based on the total gross floor area of the 1st and 2nd levels of 369.68 sq.m. which is equivalent to RMB22,533 per sq.m. The basement which has a gross floor area of 178.05 sq.m. and the garden which has an area of 567.60 sq.m. have not been taken into account in the calculation. Likewise, in accordance with the Supplementary Agreement of the Beijing Commodity House Pre-sale Contract (No. Y294286), the consideration of RMB5,390,000 in respect of House D-0231 is based on the total gross floor area of the 1st and 2nd levels of 283.76 sq.m. which is equivalent to RMB18,994.93 per sq.m. The basement which has a gross floor area of 121.71 sq.m. and the garden which has an area of 435.00 sq.m. have not been taken into account in the calculation. Similarly, in accordance with the Supplementary Agreement of the Beijing Commodity House Pre-sale Contract (No. Y294196), the consideration of RMB6,272,000 in respect of House D-0251 is based on the total gross floor area of the 1st and 2nd levels of 283.76 sq.m. which is equivalent to RMB22,103.19 per sq.m. The basement which has a gross floor area of 121.71 sq.m. and the garden which has an area of 720.90 sq.m. have not been taken into account in the calculation.

2. According to a copy of the additional Supplementary Agreement as provided to us by the Group, the final measurements of the gross floor areas of the three houses undertaken by the Surveying Department of the Construction Committee of Shunyi District of Beijing Municipality are those as stated on Page 5 of this report. In view of the final measurements, the considerations in respect of House Nos. B-0111, D-0231 and D-0251 have been revised to RMB8,366,728.79, RMB 5,426,280.31 and RMB6,314,217.08 respectively.
3. We have relied on all the information as provided to us by the Group and the legal opinion of the Group's PRC lawyers and we have prepared our valuation on the following bases:
 - (i) The Group is in the course of applying for the Real Estate Ownership Certificate. After obtaining the Real Estate Ownership Certificate, the Group shall be in possession of a legal title to the property and shall be entitled to transfer the property with the residual term of the land use right at no additional premium or other costs payable to the government.
 - (ii) All land and other premium as well as other costs relating to the provision of utilities and ancillary services have been or will be completely settled.
 - (iii) The design, construction and completion of the houses are in compliance with local planning regulations and have been approved by the relevant government authorities.
 - (iv) Our valuation of the property is based on the land area and the revised total gross floor areas of the three houses which comprise the subject property.
 - (v) Our valuation of the property is based on a 100 per cent attributable interest.
 - (vi) The property may be disposed of freely to purchasers within and outside the PRC.

4. The status of title of the property interest, as well as requisite approvals, consents, certificates, permits and licences relating to the development, use and sale of the property interest in accordance with information provided to us by the Group and the legal opinion of the Group's PRC lawyers are as follows:

Beijing Municipal Commodity House Pre-sale
Contract and the Supplementary Agreements
(Nos. Y294312, Y294286 and Y294196 dated
16 July 2006)

– signed

			Market value in existing state as at 31 October 2007
Property	Description and tenure	Particulars of occupancy	
53. Rooms 1201-1206 on 12th Level and whole of 24th Level, and Car Parking Spaces Nos. 90, 91, 92, 93, 94 and 95 in Basement 2, Guangzhou International Trading Centre, No. 1, Lin He West Road, Tian He District, Guangzhou, Guangdong Province, People's Republic of China.	<p>The property comprises six office units on the 12th level, the entire 24th level and six car parking spaces in a modern 45-storey commercial/office development which has frontages to Tian He North Road and Lin He West Road, the busy roads within Tian He District in the city of Guangzhou.</p> <p>The development, which is believed to have been built in 1996, occupies a site with an area of 5,938.43 sq.m.</p> <p>The building has a 2-level basement designed for car parking, a 6-storey commercial podium from 1st to 6th levels and a multi-storey office tower from the 7th level upwards. The podium accommodates restaurants, a bank, a business centre and a beauty club. The 7th level is used partly as a management office and partly as a canteen for restaurant staff.</p> <p>The total gross floor area of the property, excluding the car parking spaces, is 2,932.59 sq.m.</p> <p>The total area of the car parking spaces is 71.94 sq.m.</p> <p>The property has been granted a State-owned land use right for a term of 50 years from 19 December 1994, for office purposes.</p>	<p>As at the date of valuation, the property is subject to various leases and tenancies expiring on different dates between 2008 and 2010. The total rent receivable from the property including the six tenanted car parking spaces is RMB208,001.00 per month, the earliest expiry date of the tenancies is 23 March 2008 whilst the latest expiry date is 15 May 2010.</p> <p>A schedule under Note 1 below shows the rents receivable including lease and tenancy terms in respect of the tenanted units and car parking spaces.</p>	RMB56,200,000

Notes:

1. The various units and car parking spaces which are either subject to tenancies or vacant, as at 31 October 2007, are shown in the following schedule:

Floor	Unit	Floor Area	Monthly rent (RMB)	Term of tenancy	Remarks
12	01	368.46 sq.m.	24,318	11-01-2007 to 10-01-2009	exclusive of management fee
12	02	357.66 sq.m.	28,612	11-06-2007 to 15-05-2010	exclusive of management fee
12	03, 04 & 05	556.20 sq.m.	44,496	01-04-2007 to 15-05-2010	exclusive of management fee
12	06	183.97 sq.m.	9,200	24-03-2006 to 23-03-2008	exclusive of management fee
24		1,466.30 sq.m.	96,775	11-01-2007 to 10-01-2009	exclusive of management fee
Basement	Car Park No. 90 & 93		1,200	01-09-2007 to 10-01-2009	exclusive of management fee
Basement	Car Park No. 91		700	01-04-2007 to 31-03-2008	exclusive of management fee
Basement	Car Park No. 92		700	01-10-2007 to 30-09-2008	exclusive of management fee
Basement	Car Park No. 94		1,000	01-06-2007 to 31-05-2008	exclusive of management fee
Basement	Car Park No. 95		1,000	01-06-2007 to 31-05-2008	exclusive of management fee
Total			208,001		

2. According to the Certificates of Real Estate Ownership – Sui Fang Di Zheng Zi Di Nos. 0482084, 0482078, 0482083, 0482079, 0482080, 0482081 and 0482082 (房地產證 – 穗房地證字第0482084, 0482078, 0482083, 0482079, 0482080, 0482081及0482082號) all dated 27 May 1999 issued by the Guangzhou Municipal State Land Bureau and Real Estate Administration Bureau, the property has a total gross floor area of 2,932.59 sq.m. and the land has been granted a land use term of 50 years commencing on 19 December 1994, for office purposes. The title in respect of the property is vested in Lei Shing Hong Trading Ltd. (利星行貿易有限公司), a wholly-owned subsidiary of the Company.
3. According to the Certificates of Real Estate Ownership – Yue Fang Di Zheng Zi Di Nos. C0868984, C0868985, C0868986, C0868987, C0868988 and C0868989 (房地產權證 – 粵房地證字第C0868984, C0868985, C0868986, C0868987, C0868988及 C0868989號) all dated 22 March 2002, issued by the People's Government of Guangdong Province, the car parks have a total gross floor area of 71.94 sq.m. The land has been granted a land use term of 50 years commencing on 19 December 1999, for car parking purpose. The title in respect of the property is vested in Lei Shing Hong Trading Ltd. (利星行貿易有限公司).
4. We have relied on all the information as provided to us by the Group and the legal opinion of the Group's PRC lawyers and we have prepared our valuation on the following bases:
- The Group is in possession of a legal title to the property and is entitled to transfer the property with the residual term of the land use right at no additional premium or other costs payable to the government.
 - All land and premium as well as other costs relating to the provision of utilities and ancillary services have been or will be completely settled.
 - The design, construction and completion of the building are in compliance with local planning regulations and have been approved by the relevant government authorities.
 - Our valuation of the property is based on a 100 per cent attributable interest.
 - The property may be disposed of freely to purchasers within and outside the PRC.

5. The status of title of the property interest, as well as requisite approvals, consents, certificates, permits and licences relating to the development, use and sale of the property interest in accordance with information provided to us by the Group and the legal opinion of the Group’s PRC lawyers are as follows:

Certificates of Real Estate Ownership – obtained
(Sui Fang Di Zheng Zi Di Nos. 0482084, 0482078,
0482083, 0482079, 0482080, 0482081 and 0482082)

Certificates of Real Estate Ownership – obtained
(Yue Fang Di Zheng Zi Di Nos. C0868984, C0868985,
C0868986, C0868987, C0868988 and C0868989)

			Market value in existing state as at 31 October 2007
Property	Description and tenure	Particulars of occupancy	
54. No. 98 Jinniushan Main Street East, Zhanqian District, Yingkou, Liaoning Province, People's Republic of China.	<p>The property comprises a parcel of land upon which a building is being constructed. The property is situated at Jinniushan Main Street East at its junction with Chuangling Road within Zhanqian District in the city of Yingkou, an important port city located at the mouth of Daliao River and Liaodong Bay in the southern fringe of Liaoning Province. The property is located south-east of and quite close to the commercial centre of the city.</p> <p>The land is relatively level and is easily accessible from Jinniushan Main Street East and Chuangling Road, both of the roads being main roads in the city.</p> <p>According to the State-owned Land Use Certificate dated 15 March 2007, the land has an area of 10,534.35 sq.m. The property is subject to a land use term of 40 years expiring on 15 March 2047, for commercial purposes.</p>	As at the date of valuation, the building is up to the super-structure level with internal finishes and external site works being undertaken.	RMB18,900,000

Notes:

- According to the State-owned Land Use Certificate – Yingkou Guo Yong (2007) Di No. 003 (國有土地使用證 – 營口國用(2007)第003號) dated 15 March 2007, issued by the People's Government of Yingkou Municipality, the land (No.01-01-01-0035) has an area of 10,534.35 sq.m. with a land use term expiring on 15 March 2047, for commercial purposes. The title in respect of the property is vested in Yingkou Star Automobile Ltd. (營口之星汽車有限公司), a 85% owned subsidiary of the Company.
- According to the Construction Project Planning Permit No. 2007039 (建設工程規劃許可證編號2007039) dated 24 May 2007, issued by the Yingkou Municipal Planning and Construction Committee, the gross floor area of the portion for service workshop and exhibition area of the building is 2,977 sq.m. whilst the gross floor area of the backup multi-purpose portion of the building is 1,180 sq.m., the two portions making up a total gross floor area of 4,157 sq.m.
- According to the Construction Project Works Permit No. 210800200706040101 (建築工程開工許可證編號210800200706040101) dated 4 June 2007, issued by the Yingkou Municipal Planning and Construction Committee, the contract price for the construction project is RMB3,950,000. The commencement date of the construction project is on 27 April 2007 and the completion date is on 30 October 2007.
- We have relied on all the information as provided to us by the Group and the legal opinion of the Group's PRC lawyers and we have prepared our valuation on the following bases:
 - The Group is in possession of a legal title to the property and is entitled to transfer the property with the residual term of the land use right at no additional premium or other costs payable to the government.
 - All land and other premium as well as other costs relating to the provision of utilities and ancillary services will be completely settled.
 - Our valuation of the property is based on the aforementioned land area and the gross floor area of the development.

- (iv) We are advised that the consideration including the related taxes in respect of the land is RMB2,944,240.
 - (v) We are advised by the Group that the estimated total cost of completing the development is RMB17,000,000 and the anticipated completion date is in the first quarter of 2008.
 - (vi) The estimated value after the development has been completed is RMB20,500,000.
 - (vii) Our valuation of the property is based on a 100 per cent attributable interest.
 - (viii) The property may be disposed of freely to purchasers within and outside the PRC.
5. The status of title of the property interest, as well as requisite approvals, consents, certificates, permits and licences relating to the development, use and sale of the property interest in accordance with information provided to us by the Group and the legal opinion of the Group's PRC lawyers are as follows:
- | | |
|--|------------|
| State-owned Land Use Certificate
(Yingkou Guo Yong (2007) Di No. 003) | – obtained |
| Construction Project Planning Permit
(No. 2007039) | – obtained |
| Construction Project Works Permit
(No. 210800200706040101) | – obtained |

			Market value in existing state as at 31 October 2007
Property	Description and tenure	Particulars of occupancy	
55. Land situated at Suzhou Road, Plot Area No. 50, Phase 2, Urumqi Economic and Technological Development Zone, Urumqi, Xinjiang Uygur Autonomous Region, People's Republic of China.	<p>The property comprises a parcel of vacant land situated at Suzhou Road within Urumqi Economic and Technological Zone in the city of Urumqi, the capital of Xinjiang Uygur Autonomous Region. This region of China is rich in cultural and ethnic diversity. The land is located in that part of the city, which is about 25 minutes' driving distance to Diwobao International Airport.</p> <p>The land which is relatively level, has been improved and is easily accessible from Suzhou Road, one of the main roads in the city.</p> <p>The area of the land is 33,187.10 sq.m. and is subject to a land use term of 50 years commencing on the date when the Seller handed over the land to the Purchaser. Use of the land is for industrial purposes.</p>	As at the date of valuation, the property is vacant and held for future development. As at the date of valuation, the Group does not have an existing plan for the development of the property.	No commercial value

Notes:

1. The salient conditions of the State-owned Land Use Right Sales Contract – Wu Jing Ji Ji Shu Kai Fa Qu Guo Rang (He) Zi (2006) Di No. 49 (國有土地使用權出讓合同 – 烏經濟技術開發區市(縣)國讓(合)字(2006)第49號) dated 23 December 2006, entered into between the Urumqi Municipal Economic and Technological Development Zone Land Planning Administration Bureau of Xinjiang Uygur Autonomous Region – (新疆維吾爾自治區烏魯木齊市經濟技術開發區土地規劃管理局) (the “Seller”) and Weibang Automobile Service (Xinjiang) Co. Ltd. (威邦汽車服務(新疆)有限公司) (the “Purchaser”), a 100% owned subsidiary of the Company, are as follows:
 - (i) The property (Land No. 2 50# – 1) has a land area of 33,187.10 sq.m. with a land use term of 50 years commencing on the actual date of handover of the property or the date of signing of the aforesaid Contract, whichever is appropriate. Use of the property is for industrial purposes.
 - (ii) The Seller agrees to handover the land to the Purchaser on 27 November 2006.
 - (iii) The consideration in respect of the land is RMB225 per sq.m. which amounts to a sum of RMB7,467,097.50.
 - (iv) The Purchaser agrees to commence work before 1 September 2007.
 - (v) The construction of the building/buildings shall be in accordance with the planning and design requirements of the related Construction Project Planning Permit – Wu Jing Kai (Gui) She (2006) Di No. 57 (建設工程規劃許可證 – 烏經開(規)設(2006)第57號).
 - (vi) The property can be transferred, leased or mortgaged according to the terms and conditions as stated in the aforementioned Contract.

2. The salient condition of the Supplementary Agreement to the State-owned Land Use Right Sales Contract entered into between Urumqi Municipal Economic and Technological Development Zone Land Planning Administration Bureau of Xinjiang Uygur Autonomous Region – (新疆維吾爾自治區烏魯木齊市經濟技術開發區土地規劃管理局 (the “Seller”) and Weibang Automobile Service (Xinjiang) Co. Ltd. (威邦汽車服務(新疆)有限公司) (the “Purchaser”) dated 23 December 2006, states that the Purchaser has agreed to the following:
 - (i) to complete the construction project works before 2 August 2008 and also to apply for the completion of works to be inspected;
 - (ii) the plot ratio of the land shall not be less than 0.5%; and
 - (iii) the portion of the land which is used for the Company’s internal administrative office and facilities service shall not be more than 7% and, that is, not more than 0.2323 hectare. The Purchaser shall not build residential units, specialist house, hotel, guest house and training centre etc. which are not production facilities.

3. We have relied on all the information as provided to us by the Group and the legal opinion of the Group’s PRC lawyers and we have prepared our valuation on the following bases:
 - (i) After obtaining the State-owned Land Use Certificate and after the development of the land has exceeded the total development investment outlay of 25%, the Group which is in possession of a legal title to the property shall be entitled to transfer the property with the residual term of the land use right at no additional premium or other costs payable to the government.
 - (ii) All land and other premium as well as other costs relating to the provision of utilities and ancillary services have been or will be completely settled.
 - (iii) As the property is a parcel of vacant land with the development cost less than 25% of the total development investment outlay, the land cannot be transferred, leased or mortgaged according to the aforementioned State-owned Land Use Right Sales Contract.
 - (iv) In view of Note 3 (iii) above, no commercial value is attributable to the property for the Group as at the date of valuation.

4. The status of title of the property interest, as well as requisite approvals, consents, certificates, permits and licences relating to the development, use and sale of the property interest in accordance with information provided to us by the Group and the legal opinion of the Group’s PRC lawyers are as follows:

State-owned Land Use Right Sales Contract (Wu Jing Ji Ji Shu Kai Fa Qu Shi (Xian) Guo Rang (He) Zi (2006) Di No. 49)	– signed
Supplementary Agreement to the State-owned Land Use Right Sales Contract	– signed

			Market value in existing state as at 31 October 2007
Property	Description and tenure	Particulars of occupancy	
56.	<p>Property situated at north side of 339 Provincial Road, Zhoushi Zhen, Kunshan, Jiangsu Province, People's Republic of China.</p> <p>The property comprises a parcel of land situated within Zhoushi Zhen in the city of Kunshan, a secondary city located to the north-west of Shanghai and east of Suzhou on the south-eastern fringe of Jiangsu Province.</p> <p>The land is generally flat, at road level and has a frontage to 339 Provincial Road and a return frontage to Huangpujiang Road. The land is currently being improved but partly overgrown with grass and shrubs. Some site works have commenced on a portion of it. Developments in the surrounding areas comprise mainly residential properties and some industrial premises which are generally low rise in nature.</p> <p>The area of the land is 14,705.20 sq.m. The property has been granted a land use term of 50 years expiring on 20 July 2055, for industrial purposes.</p>	As at the date of valuation, foundation and site works are being undertaken on the land.	RMB5,900,000

Notes:

1. The salient conditions of the State-owned Land Use Right Sales Contract – Kun Di Rang He (2005) Zi Di No. 47 (昆山市國有土地使用權出讓合同 – 昆地讓合(2005)字第47號) dated 21 April 2005, entered into between the People's Republic of China State-owned Land Resources Bureau of Kunshan Municipality, Jiangsu Province (中華人民共和國江蘇省昆山市國土資源局) ("Party A") and Kunshan Eastern Star Automobile Service Co. Ltd. (昆山東星汽車服務有限公司) ("Party B"), a 100% owned subsidiary of the Company, are as follows:
 - (i) The property has a land area of 14,705.20 sq.m. with a land use term of 50 years commencing three months after the date of signing of the Contract.
 - (ii) Use of the property is for industrial purposes.
 - (iii) The consideration in respect of the land use right is RMB157.50 per sq.m. which amounts to a total sum of RMB2,316,069.
 - (iv) Party B has to pay to Party A RMB0.40 per sq.m. per annum of the land area of 14,705.20 sq.m. as management fee, which amounts to a total sum of RMB5,882.10 per annum after Party B has obtained the State-owned Land Use Right.
 - (v) The construction period of the above-mentioned land is from 21 July 2005 to 21 July 2007.
 - (vi) Party B has to complete the construction of the project before 21 July 2007. However, the completion date can be extended by applying to Party A three months prior to the expiry date. The extension period cannot exceed one year.
 - (vii) The property can be transferred, leased or mortgaged according to the terms and conditions as stated in the aforementioned Contract.

2. According to the State-owned Land Use Certificate – Kun Guo Yong (2006) Di 12006107069 (國有土地使用證 – 昆國用(2006)第12006107069號) dated 20 July 2006, issued by the People's Government of Kunshan Municipality, the land (No.1070101536) has an area of 14,705.20 sq.m. with a land use term of 50 years expiring on 20 July 2055, for industrial purposes. The title in respect of the property is vested in Kunshan Eastern Star Automobile Service Co. Ltd. (昆山東星汽車服務有限公司).
3. According to the Construction Project Planning Permit No. 2007-2493 (建設工程規劃許可證編號207-2493) dated 16 August 2007, issued by the Kunshan Municipal Planning Bureau, the property has a gross floor area of 6,706 sq.m.
4. According to the Construction Project Works Permit No. 3205832007101802 (建築工程開工許可證編號3205832007101802) dated 18 October 2007, issued by the Kunshan Municipal Construction Bureau, the gross floor area of the property is 6,728 sq.m. while the contract price for the construction project is RMB5,000,000. The commencement date of the construction project is 18 October 2007 while the completion date is 18 February 2008.
5. We have relied on all the information as provided to us by the Group and the legal opinion of the Group's PRC lawyers and we have prepared our valuation on the following bases:
 - (i) The Group is in possession of a legal title to the property and is entitled to transfer the property with the residual term of the land use right at no additional premium or other costs payable to the government.
 - (ii) All land and other premium as well as other costs relating to the provision of utilities and ancillary services will be completely settled.
 - (iii) Our valuation of the property is based on the aforementioned land area and the gross floor area of the building.
 - (iv) No account is taken in our valuation of any penalty which may be imposed for the delay in the development of the land.
 - (v) We are advised by the Group that the estimated total cost of completing the development is RMB23,128,000 and the anticipated completion date is in the fourth quarter of 2008.
 - (vi) The estimated value after the development has been completed is RMB32,100,000.
 - (vii) Our valuation of the property is based on a 100 per cent attributable interest.
 - (viii) The property may be disposed of freely to purchasers within and outside the PRC.
6. The status of title of the property interest, as well as requisite approvals, consents, certificates, permits and licences relating to the development, use and sale of the property interest in accordance with information provided to us by the Group and the legal opinion of the Group's PRC lawyers are as follows:

State-owned Land Use Right Sales Contract (Kun Di Rang He (2005) Zi Di No. 47)	– signed
State-owned Land Use Certificate (Kun Guo Yong (2006) Di 12006107069)	– obtained
Construction Project Planning Permit (No. 2007-2493)	– obtained
Construction Project Works Permit (No. 3205832007101802)	– obtained

			Market value in existing state as at 31 October 2007
Property	Description and tenure	Particulars of occupancy	
57. Property situated at Bei Gong West Street, Wei Cheng District, Weifang, Shandong Province, People's Republic of China.	<p>The property comprises an industrial building which is being constructed on a parcel of land situated at Bei Gong West Street in Wei Cheng District in the city of Weifang, one of the main cities in Shandong Province, which is located to the east of the capital, Jinan. The property is located to the west of West Outer Ring Road and south of the 309 National Highway.</p> <p>The land is relatively level and comprises requisitioned land which has a total area of 50.6115 mu. Out of this area, 44.034 mu (29,326 sq.m.) is net development area whilst 6.5775 mu is undevelopable "green area".</p> <p>Construction of the building is up to superstructure level. Internal finishes and decorations are being undertaken whilst external site works and related works are in progress.</p> <p>We are advised by the Group that the gross floor area of the building is 2,574 sq.m.</p>	As at the date of valuation, the property is under construction and the superstructure of the building is more or less completed. We are advised that the property is to be held for owner occupation upon completion.	RMB9,800,000 (Please see Note 3 (i) and (iv) below.)

Notes:

1. The salient conditions of the Construction Project Investment Contract dated 13 September 2004, entered into between the Foreign Investor Development District Administration Committee of Weifang (濰坊外商投資開發區管委會) ("Party A") and Weifang Rui Tong Automobile Sales and Service Co. Ltd. (濰坊瑞通汽車銷售服務有限公司) ("Party B"), a 60% owned subsidiary of the Company, are as follows:
 - (i) Party A provides land with a total area 82.9785 mu to Party B. Out of this land area, 50.6115 mu has been requisitioned, and out of this requisitioned land area is 44.034 mu which is construction land use area while 6.5775 mu is undevelopable "green area".
 - (ii) The land use term in respect of the property for commercial use is the maximum period as permitted by law.
 - (iii) The consideration in respect of the land is RMB40,000 per mu which amounts to a total sum of RMB2,024,460.
 - (iv) The balance of the land which has an area of 32.367 mu is leased by Party B for RMB300 per mu per annum which amounts to a total sum of RMB9,710. Party B has to pay the annual rent before 30 September of each year. The lease term for this portion of the land commenced from the date of signing of this Contract and shall expire when the Government repossesses the land. No permanent buildings or structures are permitted to be constructed on this portion of the leased land.

- (v) In order to encourage Party B to complete the construction of the project as soon as possible and expedite the commencement of Party B's business, Party A shall waive the excess portion of the price from the actual price as stated in the above-mentioned Contract after Party B has obtained the land use right by the so-called auction process and fulfilled the terms and conditions of the Contract.
 - (vi) Party B cannot unilaterally transfer the land use right in respect of the land or change the use of the land without Party's A approval and before processing of the land requisition procedure has been completed.
2. According to the Agreement on Commencement of Works of Weifang Star Certificate dated 3 November 2006, the Weifang Foreign Investor Development District Administration Committee states that as the application for the State-owned Land Use Right Certificate is being processed, the Construction Project Planning Permit and Construction Project Works Permit cannot be provided to Party B at the present time. In the absence of these two Permits, the Committee shall in the meantime bear all responsibilities and consequences during the construction period until after completion of the application procedure for the State-owned Land Use Right Certificate when the aforesaid Committee shall assist Party B to apply for the aforementioned Permits.
3. We have relied on all the information as provided to us by the Group and the legal opinion of the Group's PRC lawyers and we have prepared our valuation on the following bases:
- (i) After signing the State-owned Land Use Right Sales Contract with the relevant Government Department and after obtaining the State-owned Land Use Right Certificate, the Group shall be in possession of a legal title to the property and shall be entitled to transfer the property with the residual term of the land use right at no additional premium or other costs payable to the government.
 - (ii) All land and other premium as well as other costs relating to the provision of utilities and ancillary services have been or will be completely settled.
 - (iii) The design of the building being erected on the land shall be in compliance with local planning regulations and the construction and eventual completion of the building shall be approved by the relevant government authorities in due course.
 - (iv) Our valuation of the property is based on the aforementioned land area, and the gross floor area of the development, which we are advised is 2,574 sq.m. and on the assumption that Note 3 (i) above shall be complied with.
 - (v) We are advised by the Group that the estimated total cost of completing the development is RMB8,600,000 and the anticipated completion date is in the first quarter of 2008.
 - (vi) The estimated value after the development has been completed is RMB11,200,000.
 - (vii) Our valuation of the property is based on a 100 per cent attributable interest.
 - (viii) The property may be disposed of freely to purchasers within and outside the PRC.
4. The status of title of the property interest, as well as requisite approvals, consents, certificates, permits and licences relating to the development, use and sale of the property interest in accordance with information provided to us by the Group and the legal opinion of the Group's PRC lawyers are as follows:
- | | |
|--|----------|
| Construction Project Investment Contract
(dated 13 September 2004) | – signed |
| Agreement on Commencement of Works
of Weifang Star Certificate
(dated 3 November 2006) | – issued |

			Market value in existing state as at 31 October 2007
Property	Description and tenure	Particulars of occupancy	
58.	<p>Property situated at west side of Yangzijiang North Road and north side of Shugang West Road, Jiangyang Industrial Park, Weiyang District, Yangzhou, Jiangsu Province, People's Republic of China.</p> <p>The property comprises a newly completed building occupying a parcel of land situated at the junction of Yangzijiang North Road and Shugang West Road west of the former road and north of the latter in Weiyang District in the city of Yangzhou. The city is the gateway between the northern and southern parts of Jiangsu Province and is located to the north-east of the capital, Nanjing.</p> <p>The land which is relatively level and being improved provides easy access from Yangzijiang North Road, one of the main roads in Yangzhou.</p> <p>The property is designated for use as a motor vehicle showroom with related facilities incorporating workshops for service and repairs, production of spare parts and the provision of technical advice.</p> <p>The land has an area of 24,550.50 sq.m. and is subject to a land use term of 50 years expiring on 30 December 2056, for industrial purposes.</p>	As at the date of valuation, the building is under construction and will be completed before the end of 2007.	RMB13,500,000

Notes:

1. The salient conditions of the Industrial Project Setup Agreement entered into between the Yangzhou Municipal Jiang Yang Industrial Park Administrative Committee (揚州市江陽工業園管委會) ("Party A") and Yangzhou Eastern Star Automobile Service Co. Ltd. (揚州東星汽車維修服務有限公司) ("Party B"), a 100% owned subsidiary of the Company, dated 22 December 2003 are as follows:
 - (i) The property has a land area of 30 mu (20,000.10 sq.m.) with a land use term of 50 years commencing on the date of issuance of the State-owned Land Use Certificate, for industrial purposes. The land area has to be actually verified by the Yangzhou Municipal State-owned Land Bureau.
 - (ii) The consideration in respect of the land is RMB38,000 per mu inclusive of relocation costs, facilities fee, requisition fee, land development fee and land for sale fee, etc. which amount to a total sum of RMB1,140,000.
 - (iii) Party A shall be responsible for the connection of roads, electricity, telecommunications network, water and sewage drainage to the subject property. Party A shall also be responsible for the demolition and relocation of construction materials within the boundaries of the grant land of Party B.
 - (iv) Construction works in the first phase of the project have to commence within 360 days after Party A has handed over the land to Party B. Party B has to commence operation of the business within 180 days when the construction of the workshops and ancillary facilities have been completed.

2. According to the State-owned Land Use Right Sales Contract – Yang Di Ding He Zi (2006) Di No. 92 (國有土地使用權出讓合同 – 揚地訂合字(2006)第92號) dated 30 December 2006, entered into between Yangzhou Municipal State-owned Land Resources Bureau, Weiyang Branch (揚州市國土資源局, 維揚分局) (the “Seller”) and Yangzhou Eastern Star Automobile Service Co. Ltd. (揚州東星汽車維修服務有限公司) (the “Purchaser”), the salient conditions are listed as follows:
 - (i) The land area of the property is 24,551 sq.m. with a land use term of 50 years from the actual date of handover of the land to the Purchaser.
 - (ii) Use of the property is for industrial purposes.
 - (iii) The consideration in respect of the land use right is RMB140 per sq.m. which amounts to a total sum of RMB3,437,140.
 - (iv) The land has a plot ratio of not less than or equal to 0.77.
 - (v) The Purchaser agrees to commence works on the land on 30 December 2007.
 - (vi) The property can be transferred, leased or mortgaged according to the terms and conditions as stated in the Contract.
3. According to the State-owned Land Use Certificate – Yang Guo Yong (2007) Di No. 0377 (國有土地使用證 – 揚國用(2007)第0377號 dated 15 June 2007, issued by the People’s Government of Yangzhou Municipality, the land (No. 1-1-82) has an area of 24,550.50 sq.m. with a land use term of 50 years which will expire on 30 December 2056, for industrial uses. The title in respect of the property is vested in Yangzhou Eastern Star Automobile Service Co. Ltd. (揚州東星汽車維修服務有限公司).
4. We have relied on all the information as provided to us by the Group and the legal opinion of the Group’s PRC lawyers and we have prepared our valuation on the following bases:
 - (i) The Group is in possession of a legal title to the property and is entitled to transfer the property with the residual term of the land use right at no additional premium or other costs payable to the government.
 - (ii) All land and other premium as well as other costs relating to the provision of utilities and ancillary services have been or will be completely settled.
 - (iii) Our valuation of the property is based on the aforementioned land area and the gross floor area of the building, which we are advised is 8,208 sq.m
 - (iv) We are advised by the Group that the estimated total cost of completing the development is RMB20,540,000 and the anticipated completion date is in the fourth quarter of 2007.
 - (v) The estimated value after the development has been completed is RMB22,100,000.
 - (vi) Our valuation of the property is based on a 100 per cent attributable interest.
 - (vii) The property may be disposed of freely to purchasers within and outside the PRC.
5. The status of title of the property interest, as well as requisite approvals, consents, certificates, permits and licences relating to the development, use and sale of the property interest in accordance with information provided to us by the Group and the legal opinion of the Group’s PRC lawyers are as follows:

Industrial Project Setup Agreement (dated 22 December 2003)	– signed
State-owned Land Use Right Sales Contract (Yang Di Ding He Zi (2006) Di No. 92)	– obtained
State-owned Land Use Certificate (Yang Guo Yong (2007) Di No. 0377)	– obtained

The following is the text of letter and valuation certificates for inclusion in this document received from Goryo Appraisal Co. Seoul, Korea, an independent valuer, in connection with its valuation as at 31 October 2007.



GORYO APPRAISAL CO., LTD.

Member firm of Korea Association of Property
Appraisers and Valuers of all types of Property,
Business and Assets, Plant, Machinery and
Equipment. Professional Real Estate Advisers.

29 January 2008

The Directors,
Lei Shing Hong Limited,
8/F, Tower 1, New World Tower,
18 Queen's Road, Central,
Hong Kong

Dear Sirs,

**RE: VALUATION OF PROPERTY INTERESTS OF LEI SHING HONG LIMITED
AND ITS SUBSIDIARIES IN REPUBLIC OF KOREA**

1. In accordance with your instructions to value the property interests held by Lei Shing Hong Limited (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") in Republic of Korea, we have carried out inspections, made relevant enquiries and have obtained such further information as we consider necessary for the purpose of providing you with our opinions of the market value of the properties as at 31 October 2007 (the "date of valuation"). Our valuation made herein is in compliance with the Korean Act relating to Public Notification of Land Price and Appraisal of Real Estate (the "Act") etc.
2. Our valuation of each of the above property interests 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".

3. Our valuations have been made on the assumption that the owners sell the property interests on the market in their existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the value of the properties. In addition, no account is taken of any option or pre-emptive right relating to or affecting the sale of the properties and no forced sale in any form in respect of the properties has been assumed in our valuations.
4. The Property no. 10 which is registered as one entity both co-owned site share and building area have been appraised by comparison (market) method as one entity, while other 13 properties have been appraised respectively by comparison (market) approach in land and by cost approach in building and aggregated into final value. Property no. 14 is rented by the Group and in view of the fact that the Group does not have vested legal title to the property and also the fact that there is no provision for sub-letting, no commercial value is attributable to the property for the Group.
5. We have relied to a considerable extent on information given by the Group and have accepted advice given to us in relation to statutory notices, tenure, completion date of buildings, contracts and agreements, particulars of occupancy including lease or tenancy details, floor areas, site areas and other relevant materials.
6. With regard to the property interests in Korea, we have not been provided with copies of title and other documents relating to the properties but instead, we have prepared every related documents from the Registry Office. This is an effective way to undertake our valuation because it did not matter to us whether we have inspected the documents to verify ownership or to ascertain the existence of any lease amendments which do not appear on the documents issued.
7. All copies of documents and contracts relating to property interests have been used as reference only. All dimensions, measurements and areas including floor and site areas, as stated in our valuation certificate, are approximate and are based on information provided to us by the Group and documents issued by the Registry Office. Also, all floor areas and site areas as shown on the copies of documents or from information supplied to us by the Group are assumed to be correct. Accordingly we have briefly taken and carried out on-site measurements to determine the floor areas of the properties and to verify their correctness under that assumption.
8. For the purpose of our valuation, we have assumed that the titles in respect of the properties are legally enforceable. We have also assumed that the Company has free and uninterrupted rights to use, assign, transfer, lease or mortgage the properties and that all costs relating to the acquisition of the properties have been paid in full. All the information provided to us by the Group, which are pertinent to our valuation, are believed to be true and accurate and it is assumed that no material facts have been omitted from the information supplied and issued.

9. We are instructed to express our opinions on the market value of the property interests and in the capacity of external valuers. We have not undertaken any building survey to report on the condition or state of repair of the properties although in the course of our inspections, we did not note any serious defects. However, we must advise that we cannot express an opinion about or give advice on the condition of the uninspected parts of the properties or report on whether or not those parts of the properties which are concealed, unexposed or inaccessible are free of rot, infestation or other structural defects, whether latent or otherwise. For the purpose of our valuation, the aforesaid parts of the properties are assumed to be in a good state of repair and condition and this report should not be construed as making any implied representation or statement about the condition of such parts.
10. We have not arranged for any investigation to be conducted or tests to be carried out in order to determine whether or not any deleterious or hazardous materials have been used in the construction of the buildings and structures accommodating the properties or forming parts of the properties, or whether such materials have since been incorporated, and we are therefore unable to report that the buildings and structures are free from such risk. However, for the purpose of our valuation, we have assumed that should such an investigation be carried out, it would not reveal the presence of any such materials to any significant extent.
11. No allowance has been made in our valuations for any charges, mortgages or amounts owing on the property interests and neither has any allowance been made or any liability to taxation on sale or any expenses which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoing of an onerous nature which could affect their values.
12. The property No. 3 and No. 15 on which a new building is respectively under construction at the date of valuation has obtained certificate construction at 19 May 2006 (No. 3) and at 2 February 2007 (No. 15) satisfying Korean Construction Law. So no material effect on the open market value of the sites is expected even after the completion of the buildings that the estimated total cost to completion has merely been considered in the valuation of No. 3 and No. 15 properties.
13. In accordance with your instructions, we are required to express our opinions on the market value of all of the property interests in Korean Won as at the valuation date of 31 October 2007.

We attach herewith a summary of values and our valuation certificate.

Yours faithfully,
Goryo Appraisal Co., Seoul, Korea
Ryu, Kwang-Hoo
Korean property Appraiser/MRICS(1233331)

Note: Mr. Ryu, Kwang-Hoo is a Chartered Surveyor, a Member of the Royal Institution of Chartered Surveyors and a Member of Korea Association of Property Appraisers, and has been conducting professional valuations of property and other assets like bulk carrier, corporate brand, etc. as well as providing professional advisory work to some local and foreign institutions including HSBC in Korea since 1993 after he successfully finished about 7 year long career of a banker as a FX dealer for SCB and Bank of Montreal in Seoul.

SUMMARY OF VALUES

Serial No.	Property	Market value in existing state as at 31 October 2007 (KRW)
1	Porsche Tower Building & Building site, 949-11 Daechi-dong, Gangnam-gu, Seoul-metropolitan city, Korea	15,560,096,000
2	J Building & Building site, 168-3,4,5 Samseong-dong, Gangnam-gu, Seoul-metropolitan city, Korea	42,959,750,460
3	Han Sung Motor Tower Building site, 935-42 Bangbae-dong, Seocho-gu, Seoul-metropolitan city, Korea	19,938,905,000
4	Workshop Building & Building site, 238-8,9 Yongdap-dong, Seongdong-gu, Seoul-metropolitan city, Korea	24,004,595,730
5	Workshop Building & Building site, 593-8,13 Seongsan-dong, Mapo-gu, Seoul-metropolitan city, Korea	10,574,012,110
6	Incheon Br. Building & Building site, 1195-12 Guwol-dong, Namdong-gu, Incheon- metropolitan city, Korea	6,114,832,150
7	Building (Warehouse, retail shop, exhibition room) & Building site, 58-20,98 Hang-dong 7 ga, Jung-gu, Incheon-metropolitan city, Korea	12,570,730,800
8	Daejeon Br. Building & Building site, 236-8 Jungni-dong, Daedeok-gu, Daejeon-metropolitan city, Korea	1,340,781,950
9	Suwon Br. Building & Building site, 451 and 6 more lots Singal-dong, Gihung-gu, Yongin city, Korea	4,566,791,840

		Market value in existing state as at 31 October 2007 (KRW)
Serial No.	Property	
10	Independently registered space of office, Building share & co-owned land share as one body, Used-Car Business Office Unit B-301 Gangnam used car market 101-13 Yulhyeon-dong, Gangnam-gu, Seoul-metropolitan city, Korea	600,000,000
11	Busan Showroom Building & Building site, 556-31 Namcheon-dong, Suyoung-gu, Busan-metropolitan city, Korea	2,658,107,500
12	Busan Workshop Building & Building site, 165-6 Gamjeon-dong, Sasang-gu, Busan-metropolitan city, Korea	8,277,132,820
13	Haeundae Showroom Building & Building site, 1229 Woo-dong, Haeundae-gu, Busan-metropolitan city, Korea	14,679,334,000
14	Gangnam Showroom Building, 629-24,25 Sinsa-dong, Gangnam-gu, Seoul-metropolitan city, Korea	no commercial value
15	Porsche Bundang Showroom Building & Building site 204-3 Sihung-dong, Sujeong-gu, Seongnam city, Gyeonggi-do, Korea	18,780,609,000
Total		<u><u>KRW182,625,679,360</u></u>

VALUATION CERTIFICATE

Serial No.	Property	Description & tenure	Particulars of occupancy	Market value in existing state as at 31 October 2007
1	Porsche Tower Building & site, 949-11 Daechi-dong, Gangnam-gu, Seoul-metropolitan city, Korea. Han Sung Investment Ltd. was registered with whole ownership right of the property on 13 January 2005.	The subject property is in the vicinity of east of Whimoon high school and abuts on the paved Youngdongro which is about 30m wide. There are many showrooms of luxury imported sedan like Audi, Lexus, BMW, Ford, etc. along the road. The building is built in 2005 and appearance and management condition are good. The subject building is 7 storeys with 3 basement storeys. The total area of the site is 726.8m ² and total area of the building is 3,637.55m ² . In Korea, lands and buildings are freehold estate, which is interest in real property for life or of unspecified duration as long as the life of the present holder. In addition, lands and buildings can be inherited by the successor under the civil law.	As at the date of valuation, the subject building is occupied by both SSCL (1,2,7floor) and SECUI.COM (B1,3-6 floor) for use partly as showroom and office. The 21 parking spaces are for visitors and workers in the building. The property is tenanted by SSCL (1,2,7F) with key money (deposit) of KRW974,587,000 and a monthly payment of KRW44,447,000 for a lease term of 10 years from 1 July 2005 and by SECUI.COM (B1,3F~6F) with key money (deposit) of KRW280,000,000 and a monthly payment of KRW44,550,000 for a lease term of 2 years from 21 May 2005 and extended for another 2 years to 21 May 2009. Both contracts are under the terms and conditions that in every 2 years, key money (deposit) and monthly payment will be adjusted by 10%.	KRW15,560,096,000

Notes:

1. The registered owner of the property interest is Han Sung Investment Ltd., which is a 100% owned subsidiary of the Company.
2. Our valuation of the property is based on a 100% attributable interest.
3. SSCL is the abbreviation of Stuttgart Sports Cars Ltd..

Serial No.	Property	Description & tenure	Particulars of occupancy	Market value in existing state as at 31 October 2007
2	J Building & site, 168-3,4,5 Samseong-dong, Gangnam-gu, Seoul-metropolitan city, Korea. Han Sung Investment Ltd. was registered with whole ownership right of the property on 29 July 2005.	The subject property is in the vicinity of 20m north of Samsung subway station and abuts on the paved Youngdong-ro which is about 50m wide. There are many office building like KOEX, ASEM Tower, Korea Trade Tower, etc. along the road. The building was built in 1995 and largely remodeled in 2006. Accordingly its current appearance and management condition are good. The subject building is 6 storeys with 2 basement storeys. The total area of the site is 1,792.2m ² and total area of the building is 5,242.7m ² . In Korea, lands and buildings are freehold estate, which is interest in real property for life or of unspecified duration as long as the life of the present holder. In addition, lands and buildings can be inherited by the successor under the civil law.	As at the date of valuation, the subject building is occupied by both First Fire & Marine Insurance Co. (3,4,5,6F) for use as office and Marigin (1,2F) for use as wedding hall. The 40 parking spaces are for visitors and workers in the building. The property is tenanted by First Fire & Marine Insurance Co. (3,4,5,6F) with key money (deposit) of KRW529,232,000 and a monthly payment of KRW58,923,200,000 for a lease term of 1 year from 1 August 2007 and by Marigin (1,2F) with key money (deposit) of KRW200,000,000 and a monthly payment of KRW42,000,000 for a lease term of 5 years from 1 March 2006. Both contracts are under the terms and conditions that in every 2 years, key money (deposit) and monthly payment will be adjusted by 10%.	KRW42,959,750,460

Notes:

1. The registered owner of the property interest is Han Sung Investment Ltd., which is a 100% owned subsidiary of the Company.
2. Our valuation of the property is based on a 100% attributable interest.

Serial No.	Property	Description & tenure	Particulars of occupancy	Market value in existing state as at 31 October 2007
3	Han Sung Motor Tower Building site, 935-42 Bangbae-dong, Seocho-gu, Seoul-metropolitan city, Korea. Han Sung Investment Ltd. was registered with whole ownership right of the property on 19 January 2006.	The subject property is in the vicinity of 20m south of Naebang subway station and abuts on the about 30m wide Bangbaero pavement in the front. There are many office buildings along the road while the rear of the building abuts small & medium size houses. The building is under construction as at the date of valuation. The total area of the site is 1,042.4m ² . In Korea, lands and buildings are freehold estate, which is interest in real property for life or of unspecified duration as long as the life of the present holder. In addition, lands and buildings can be inherited by the successor under the civil law.	As at the date of valuation, on the subject site a new building is under construction by Han Sung Investment Ltd. for use as office and showroom.	KRW19,938,905,000

Notes:

1. The registered owner of the property interest is Han Sung Investment Ltd., which is a 100% owned subsidiary of the Company.
2. Our valuation of the property is based on a 100% attributable interest.
3. The value after the development has been completed has already been included in the above value KRW19,938,905,000. The estimated total cost to completion (due to be completed in January 2008) of the building on the site is KRW7,343,684,208.

Serial No.	Property	Description & tenure	Particulars of occupancy	Market value in existing state as at 31 October 2007
4	Workshop Building & site, 238-8,9 Yongdap-dong, Seongdong-gu, Seoul-metropolitan city, Korea. Han Sung Investment Ltd. was registered with whole ownership right of the property of 238-9 on 9 April 1987 and 238-8 on 13 May 2004.	The subject property is in the edge of Janghanpyung used-car market and abuts on the pavement. There are many car showroom and maintenance buildings along the road. The building no. A was built in 1983 and largely remodeled in 1997 and the buildings of nos. B and C were built in 1987. Its current appearance and management condition are good. The subject buildings of nos. A and B are 2 storeys with basement whilst the subject building no. C is one storey with no basement. The total area of the site is 5,799.5m ² and total area of the building is 4,329.2m ² . In Korea, lands and buildings are freehold estate, which is interest in real property for life or of unspecified duration as long as the life of the present holder. In addition, lands and buildings can be inherited by the successor under the civil law.	As at the date of valuation, the subject building is occupied by both Han Sung Motor Co. Ltd. (no.A), SSCL (no. B) for use as office and maintenance shop. The 20 parking spaces are for visitors and workers in the building. The building no. A is tenanted by Han Sung Motor Co. Ltd. with no key money (deposit) and a monthly payment of KRW58,430,000 for a lease term of 10 years from 1 July 2006. The building no. B is tenanted by SSCL with key money (deposit) of KRW115,900,000 and a monthly payment of KRW18,744,000 for a lease term of 8 years from 1 July 2007. Both contracts are under the terms and conditions that in every 2 years, key money (deposit) and monthly payment will be adjusted by 10%.	KRW24,004,595,730

Notes:

1. The registered owner of the property interest is Han Sung Investment Ltd.. which is a 100% owned subsidiary of the Company.
2. Our valuation of the property is based on a 100% attributable interest.
3. SSCL is the abbreviation of Stuttgart Sports Cars Ltd..

Serial		Description & tenure	Particulars of occupancy	Market value in
No.	Property			existing state as at 31 October 2007
5	Work Shop Building & site, 593-8,13 Seongsan-dong, Mapo-gu, Seoul-metropolitan city, Korea. Han Sung Investment Ltd. was registered with whole ownership right of the property on 24 August 1990.	The subject property is in the vicinity of northeast of Mapo-Gu ward office and abuts on the 12m wide pavement. There are many car repair shops and maintenance buildings along the road. The building was built in 1993 and partially extended in 2006. Its current appearance and management condition are good. The subject no. A building is 7 storeys with 2 basement floors for a repair shop whilst the subject building no. B is one storey with no basement and is used for a guard point. The total area of the site is 1,514m ² and total area of the building is 5,679.57m ² , including basement area. In Korea, lands and buildings are freehold estate, which is interest in real property for life or of unspecified duration as long as the life of the present holder. In addition, lands and buildings can be inherited by the successor under the civil law.	As at the date of valuation, the subject building is occupied by Han Sung Motor Co. Ltd. for use as office and auto repair shop and maintenance shop. The 28 parking spaces are for visitors and workers in the building. The subject property is tenanted by Han Sung Motor Co. Ltd. with no key money (deposit) and a monthly payment of KRW52,100,000 for a lease term of 10 years from 1 July 2006 under the terms and conditions that in every 2 years, key money (deposit) and monthly payment will be adjusted by 10%.	KRW10,574,012,110

Notes:

1. The registered owner of the property interest is Han Sung Investment Ltd., which is a 100% owned subsidiary of the Company.
2. Our valuation of the property is based on a 100% attributable interest.

Serial No.	Property	Description & tenure	Particulars of occupancy	Market value in existing state as at 31 October 2007
6	Incheon Br. Building & site, 1195-12 Guwol- dong, Namdong- gu, Incheon- metropolitan city, Korea. Han Sung Investment Ltd. was registered with whole ownership right of the property on 5 March 2005.	The subject property is in the vicinity of east of Gil Hospital intersection and abuts on the 40m wide pavement to the south. There are many showrooms of luxury imported sedan like Audi, Lexus, BMW, Ford, etc. along the road. The building was newly built in 2006. So its current appearance and management condition are good. The subject building is 4 storeys with 1 basement and is used as an auto showroom, office and auto repair shop. The total area of the site is 928m ² and total area of the building is 1,996.05m ² , including basement area. In Korea, lands and buildings are freehold estate, which is interest in real property for life or of unspecified duration as long as the life of the present holder. In addition, lands and buildings can be inherited by the successor under the civil law.	As at the date of valuation, the subject building is occupied by Han Sung Motor Co. Ltd. for use as auto showroom, office, auto repair shop and maintenance shop. The 25 parking spaces are for visitors and workers in the building. The subject property is tenanted by Han Sung Motor Co. Ltd. with no key money (deposit) and a monthly payment of KRW30,760,000 for a lease term of 10 years from 11 September, 2006 under the terms and conditions that in every 2 years, key money (deposit) and monthly payment will be adjusted by 10%.	KRW6,114,832,150

Notes:

1. The registered owner of the property interest is Han Sung Investment Ltd., which is a 100% owned subsidiary of the Company.
2. Our valuation of the property is based on a 100% attributable interest.

Serial No.	Property	Description & tenure	Particulars of occupancy	Market value in existing state as at 31 October 2007
7	Building (warehouse, retail shop, exhibition room) & site, 58-20,98 Hang-dong 7ga, Jung-gu, Incheon-metropolitan city, Korea. Han Sung Investment Ltd. was registered with whole ownership right of the property on 1 September 1995.	The subject property is in the vicinity of west of Life-beach Apt. complex and abuts on the 27m wide pavement to the east. There are many neighboring convenience facilities and auto repair shops, etc. along the road. The building no. A was built in 1993 and partially extended in 1996. The building no. B was built in 1992 and partially extended in 2000. The building no. C was built in 2000. Current appearances and management conditions of those buildings are good. The subject building no. A is 2 storeys with no basement and is used as warehouse and office with a small part vacant whilst nos. B and C are 1 storey with no basement and no. B is used as retail shop, and no. C is vacant. The total area of the site is 12,360m ² and total area of the building is 4,236.84m ² . In Korea, lands and buildings are freehold estate, which is interest in real property for life or of unspecified duration as long as the life of the present holder. In addition, lands and buildings can be inherited by the successor under the civil law.	As at the date of valuation, the subject building no. A is occupied by Kyungin Glovil for use as warehouse and office and building no. B is occupied by Mrs. Kim, Mrs. Do and Mrs. Lee for use as restaurants. The 30 parking spaces are for visitors and workers in the building. The subject building no. A is tenanted by Kyungin Glovil with key money (deposit) of KRW150,000,000 and a monthly payment of KRW33,000,000 for a lease term of 4 years from 1 July 2007 under the terms and conditions that in every 2 years, key money (deposit) and monthly payment will be adjusted by 10%. The building no. B is tenanted by Mrs. Kim (unit 3), Mrs. Do (unit 4), Mrs. Lee (unit 5) with key money (deposit) of KRW30,000,000 for each of units 3 and 4 and of KRW45,000,000 for unit 5 and a monthly payment of KRW600,000 for each of units 3 and 4 and KRW1,300,000 for unit 5 commencing from 1 March 2007 for a lease term of 2 years.	KRW12,570,730,800

Notes:

- The registered owner of the property interest is Han Sung Investment Ltd., which is a 100% owned subsidiary of the Company.
- Our valuation of the property is based on a 100% attributable interest.

Serial No.	Property	Description & tenure	Particulars of occupancy	Market value in existing state as at 31 October 2007
8	Daejeon Br. Building & site, 236-8 Jungni-dong, Daedeok-gu, Daejeon-metropolitan city, Korea. Han Sung Investment Ltd. was registered with whole ownership right of the property on 15 December 2000.	The subject property is in the vicinity of north of Hannam university and abuts on the 50m wide pavement to the north. There are many office buildings and small and medium size neighboring convenient facilities along the road. The building was built in 1993 and partially extended afterwards. And its current appearance and management condition are good for its physical age. The subject building is 2 storeys with no basement and is used as an auto showroom, office and auto repair shop. The total area of the site is 769.3m ² and total area of the building is 462.09m ² . In Korea, lands and buildings are freehold estate, which is interest in real property for life or of unspecified duration as long as the life of the present holder. In addition, lands and buildings can be inherited by the successor under the civil law.	As at the date of valuation, the subject building is occupied by Han Sung Motor Co. Ltd. for use as auto showroom, office, auto repair shop and maintenance shop. The subject property is tenanted by Han Sung Motor Co. Ltd. with no key money (deposit) and a monthly payment of KRW5,500,000 for a lease term of 10 years from 1 July 2006 under the terms and conditions that in every 2 years, key money (deposit) and monthly payment will be adjusted by 10%.	KRW1,340,781,950

Notes:

1.
- The registered owner of the property interest is Han Sung Investment Ltd., which is a 100% owned subsidiary of the Company.
2.
- Our valuation of the property is based on a 100% attributable interest.

Serial No.	Property	Description & tenure	Particulars of occupancy	Market value in existing state as at 31 October 2007
9	Suwon Br. Building & site, 451 and 6 more lots Singal-dong, Gihung-gu, Yongin city, Korea. Han Sung Investment Ltd. was registered with whole ownership right of the property on 28 December 2002.	The subject property is in the 100m vicinity north of Suwon I.C. of Seoul-Busan Expressway and abuts on the 50m wide pavement to the south. There are lots of neighboring convenient facilities and small and medium size factories and office buildings along the road. The building was built in 2003 and its current appearance and management condition are good. The subject building is 2 storeys with no basement and is used as an auto showroom, office and auto repair shop. The total area of the site is 1,280m ² and total area of the building is 487.84m ² . In Korea, lands and buildings are freehold estate, which is interest in real property for life or of unspecified duration as long as the life of the present holder. In addition, lands and buildings can be inherited by the successor under the civil law.	As at the date of valuation, the subject building is occupied by Han Sung Motor Co. Ltd. for use as auto showroom, office, auto repair shop and maintenance shop. The 4 parking spaces are for visitors and workers in the building. The subject property is tenanted by Han Sung Motor Co. Ltd. with no key money (deposit) and a monthly payment of KRW13,000,000 for a lease term of 10 years from 1 July 2006 under the terms and conditions that in every 2 years, key money (deposit) and monthly payment will be adjusted by 10%.	KRW4,566,791,840

Notes:

1. The registered owner of the property interest is Han Sung Investment Ltd., which is a 100% owned subsidiary of the Company.
2. Our valuation of the property is based on a 100% attributable interest.

Serial No.	Property	Description & tenure	Particulars of occupancy	Market value in existing state as at 31 October 2007
10	Independently divided and registered space of office, building share and co-owned land share as one body, used-car business office Unit B-301 Gangnam used car market 101-13 Yulhyeon-dong, Gangnam-gu, Seoul-metropolitan city, Korea. Han Sung Investment Ltd. was registered with whole ownership right of the property on 5 February 2002 with respect to 254.2043/6,733 shares of the land and 30.80/9,200.17 shares of the building.	The subject property is in the north opposite to the Gangil-driving school and abuts on the 16m wide pavement to the south. The neighboring area consists of agricultural land, factories and driving school, etc. in the outskirts of Seoul. The building was built in 2001 and its current appearance and management condition are good. The subject property interest (unit B-301) is part of a whole building of 3 storeys with no basement and is used as an auto showroom, office and auto repair shop. In Korea, lands and buildings are freehold estate, which is interest in real property for life or of unspecified duration as long as the life of the present holder. In addition, lands and buildings can be inherited by the successor under the civil law.	As at the date of valuation, the subject building is occupied by Han Sung Motor Co., Ltd. for use as auto-related office. The parking spaces are sufficient for visitors and workers in the building. The subject property is tenanted by Han Sung Motor Co., Ltd. with key money (deposit) of KRW5,000,000 and a monthly payment of KRW3,350,000 for a lease term of 1 year from 1 September 2007.	KRW600,000,000

Notes:

1. The registered owner of the property interest is Han Sung Investment Ltd., which is a 100% owned subsidiary of the Company.
2. Our valuation of the property is based on a 100% attributable interest.

Serial		Description & tenure	Particulars of occupancy	Market value in
No.	Property			existing state as at 31 October 2007
11	Busan Showroom Building & site, 556-31 Namcheon-dong, Suyoung-gu, Busan-metropolitan city, Korea. Busan Star Co., Ltd. was registered with whole ownership right of the property on 28 May 2002.	The subject property is in the 150m vicinity north of Mega Mart (Large Discount Store owned by Nhongshim business group) and has a frontage of 36m wide on Hwangryung road to the southwest whilst the rear of the building consists of traditional market and a large apartment complex. There are many showrooms of luxury imported sedans like Audi, Lexus, BMW, Ford, etc. along the road. The building was built in 1996 and largely remodeled in 2003. So its current appearance and management condition are good. The subject building is 3 storeys with no basement and is used as an auto showroom, office and auto repair shop. The total area of the site is 529m ² and total area of the building is 465.5m ² . In Korea, lands and buildings are freehold estate, which is interest in real property for life or of unspecified duration as long as the life of the present holder. In addition, lands and buildings can be inherited by the successor under the civil law.	As at the date of valuation, the subject building is occupied by Busan Star Co., Ltd. for use as auto showroom, office, auto repair shop and maintenance shop. The rear parking spaces are for visitors and workers in the building.	KRW2,658,107,500

Notes:

1. The registered owner of the property interest is Busan Star Co. Ltd., which is a 51% owned subsidiary of the Company.
2. Our valuation of the property is based on a 100% attributable interest.

Serial No.	Property	Description & tenure	Particulars of occupancy	Market value in existing state as at 31 October 2007
12	Busan Workshop Building & site, 165-6 Gamjeon-dong, Sasang-gu, Busan-metropolitan city, Korea. Han Sung Investment Ltd. was registered with whole ownership right of the property on 5 June 1996.	The subject property is in the middle of the Sasang industrial complex in Busan and has a frontage to 30m wide on Gaya road to the south whilst the east of the building abuts on a 10m wide pavement. There are many large and medium size factories in the well-designed complex by Busan city authorities and easily accessible traffic facilities like subway station and bus-stops. The building was built in 1998 and its current appearance and management condition are good. The subject building is 4 storeys with 1 basement and is used as an auto showroom, office and auto repair shop. The total area of the site is 3,100.7m ² and total area of the building is 5,197.1m ² . In Korea, lands and buildings are freehold estate, which is interest in real property for life or of unspecified duration as long as the life of the present holder. In addition, lands and buildings can be inherited by the successor under the civil law.	As at the date of valuation, the subject building is occupied by Busan Star Co., Ltd. for use as auto showroom, office, auto repair shop and maintenance shop. The 40 parking spaces are for visitors and workers in the building. The subject property is tenanted by Busan Star Co., Ltd. with no key money (deposit) and a monthly payment of KRW33,708,000 for a lease term of 5 years from 1 January 2007 under the terms and conditions that in every 2 years, key money (deposit) and monthly payment will be adjusted by 6%.	KRW8,277,132,820

Notes:

1. The registered owner of the property interest is Han Sung Investment Ltd., which is a 100% owned subsidiary of the Company.
2. Our valuation of the property is based on a 100% attributable interest.

Serial No.	Property	Description & tenure	Particulars of occupancy	Market value in existing state as at 31 October 2007
13	Haeundae Showroom Building & site, 1229 Woo-dong, Haeundae-gu, Busan-metropolitan city, Korea. Han Sung Investment Ltd. was registered with whole ownership right of the property on 23 December 2005.	The subject property is 800m north of Bexco (Busan Exhibition Convention Hall) and in the east vicinity of Centum City (largely planned & designed for a housing and neighboring facilities complex) in Busan and has a frontage to 28m wide on Choongryungro road to the west. There are lots of apartments and department stores, discount stores, luxurious hotels, racing yacht club etc. in the Centum city area. The building construction and interior decoration are recently finished in July, 2007. In Korea, lands and buildings are freehold estate, which is interest in real property for life or of unspecified duration as long as the life of the present holder. In addition, lands and buildings can be inherited by the successor under the civil law. The 52 parking spaces are for visitors and workers in the building. The subject building is 4 storeys with 2 basements and is used as two auto showrooms, offices and auto repair shops. The total area of the site is 2,508m ² and total area of the building is 7,769.44m ² .	As at the date of valuation, the subject building is occupied by Busan Star Co., Ltd. (half of B2-4th flr.), SSCL (half of B2-4th flr.) and DCSFK (1/3 of 4th flr.) as auto showrooms, offices and auto repair shops. The subject property is respectively tenanted by Busan Star Co., Ltd. with key money (deposit) of KRW330,000,000 and a monthly payment of KRW33,000,000 for a lease term of 10 years from 1 October 2007, by SSCL with key money (deposit) of KRW300,000,000 and a monthly payment of KRW30,000,000 for a lease term of 10 years from 1 September 2007 and by DCSFK with key money (deposit) of KRW12,000,000 and a monthly payment of KRW1,200,000 for a lease term of 2 years from 15 October 2007.	KRW14,679,334,000

Notes:

1. The registered owner of the property interest is Han Sung Investment Ltd., which is a 100% owned subsidiary of the Company.
2. Our valuation of the property is based on a 100% attributable interest.
3. DCSFK is the abbreviation of Daimler Chrysler Financial Services Korea Ltd..
4. SSCL is the abbreviation of Stuttgart Sports Cars Ltd..

Serial		Description & tenure	Particulars of occupancy	Market value in
No.	Property			existing state as at 31 October 2007
14	Gangnam Showroom Building, 629-24,25 Sinsa-dong, Gangnam-gu, Seoul-metropolitan city, Korea. Mr. Eum, Dae-seong was registered with whole ownership right of the property on 6 November 2002.	The subject property is in the center of Dosan Park Intersection on Dosandae road south of Han River area, which is famous for luxurious housing area in Seoul, and abuts on the 50m wide Dosandaero road in the front to the south. There are many office buildings whilst lots of luxurious imported sedan showrooms lined up along the road. The subject building is 5 storeys with a basement and is used as an auto showroom and office. The total area of the building is 1596.27m ² . In Korea, lands and buildings are freehold estate, which is interest in real property for life or of unspecified duration as long as the life of the present holder. In addition, lands and buildings can be inherited by the successor under the civil law.	As at the date of valuation, the subject building is occupied by Han Sung Motor Co., Ltd. for use as an auto showroom. The 17 parking spaces are for visitors and workers in the building. Han Sung Motor Co., Ltd. has rented the subject building from Mr. Eum, Dae-seong with key money (deposit) of KRW1,000,000,000 and a monthly payment of KRW35,090,000 for a lease term of 8 years from 1 October 2006 under the terms and conditions that in every 2 years, key money (deposit) and monthly payment will be adjusted by 10%.	no commercial value

Notes:

1. The registered owner of the property interest is Mr. Eum, Dae-seong.
2. As mentioned above, Han Sung Motor Co., Ltd., a 100% owned subsidiary of the Company, rents the property from Mr. Eum, Dae-seong and therefore does not have legal title to the property, but is only entitled to use the land and building for its own purposes. In view of this and the fact that there is no provision for sub-letting, no commercial value is attributable to the property held by Han Sung Motor Co., Ltd..

Serial No.	Property	Description & tenure	Particulars of occupancy	Market value in existing state as at 31 October 2007
15	Porsche Bundang Showroom Building 204-3 Sihung-dong, Sujeong-gu, Seongnam city, Gyeonggi-do, Korea. Han Sung Investment Ltd. was registered with whole ownership right of the property on 2 April 2007.	The subject property is in the northwest vicinity of Sihung dong office. The neighboring area of the subject site is moderately mixed with convenient facilities, houses and agricultural sites in the outskirts of Seoul. The subject property is 5km away from Bundang New City and Pankyo planned city. The subject building is under construction at the date of valuation and is scheduled to be completed at the end of May, 2008. The subject building is planned to be 4 storeys with a basement for an auto showroom, office and auto repair shop. The total area of the site is 3,333m ² and total area of the building is 4,914.96m ² . In Korea, lands and buildings are freehold estate, which is interest in real property for life or of unspecified duration as long as the life of the present holder. In addition, lands and buildings can be inherited by the successor under the civil law.	As at the date of valuation, the subject building is under construction for use as SSCL's auto showroom, office, auto repair shop and maintenance shop. The 32 parking spaces will be provided for visitors and workers in the building.	KRW 18,780,609,000

Notes:

1. The registered owner of the property interest is Han Sung Investment Ltd., which is a 100% owned subsidiary of the Company.
2. Our valuation of the property is based on a 100% attributable interest.
3. The value after the development has been completed has already been included in the above value KRW18,780,609,000. The estimated total cost to completion (due to be completed in June 2008) of the building on the site is KRW6,547,100,000.
4. SSCL is the abbreviation of Stuttgart Sports Cars Ltd.

Set out below are the texts of a letter, summary of values and valuation certificates received from Jones Lang LaSalle Real Estate Appraisal Firm, independent property valuers, in connection with their valuation as at 31 October 2007 of certain property interests of Capital Machinery Limited in Taiwan prepared for the purpose of inclusion in this document.



JONES LANG
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Jones Lang LaSalle Real Estate Appraisal Firm
20F-1, TAIPEI 101 TOWER, No.7, Xinyi Road Section 5,
Taipei 11049 Taiwan
tel +886 2 8758 9898 fax +886 2 8758 9899

仲量聯行不動產估價師事務所
台北市11049信義路五段7號20樓之1(台北101大樓)
電話+886 2 8758 9898 傳真+886 2 8758 9899

29 January 2008

The Directors
Lei Shing Hong Limited
8/F, New World Tower 1
18 Queen's Road Central
Hong Kong

Dear Sirs,

Re: Valuation of property interests in Taiwan

INSTRUCTION

In accordance with your instruction to us to carry out valuations in respect of various property interests of Lei Shing Hong Limited (the “Company”) and its subsidiaries in Taiwan, we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we considered necessary for the purpose of providing you with our opinion of the values of the property interests as at 31 October 2007 (“the date of valuation”).

BASIS OF VALUATION

Unless otherwise stated, our valuation is prepared in accordance with the “Regulation of Real Estate Appraisal” announced by the Ministry of Interior, Republic of China. If the Regulation is silent on subjects requiring guidance, we refer to the “RICS – Appraisal and Valuation Manual” published by the Royal Institution of Chartered Surveyors, subject to variations in order to meet local established law, customs, practice and market conditions.

Our valuation of each of the above property interests 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 willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the owner sells the subject properties on the market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which could serve to affect the values of the subject properties.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the subject properties or for any expenses or taxation that may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the subject properties are free from encumbrances, restrictions and outgoings of an onerous nature that could affect their values.

Measurement of 1 square meter equivalent to 0.3025 ping is adopted in the calculation of area. All such figures are rounded to two decimal points.

TITLE INVESTIGATION

We have applied for the legal transcriptions relating to the properties according to the ownership information provided by you. Moreover, we have scrutinized the original documents to verify ownership or to ascertain the existence of any amendments that may not appear on the copies handed to us. However, all documents have been used for reference only.

PROPERTY INSPECTION

We have inspected the exterior and, where possible, the interior in August 2007. We have not conducted formal structural surveys and, as such, we cannot report that the subject properties are free from rot, infestation or any other construction defects. We have not inspected those parts of the subject properties which are covered, unexposed or inaccessible and such parts have been assumed to be in good repair and condition. We cannot express an opinion about or advise upon the condition of uninspected parts and this report should not be taken as making any implied representation or statement about such parts. No tests have been carried out by us on any of the services.

We have not arranged for any investigation to be carried out in order to determine whether or not any deleterious or hazardous materials have been used on the land or in the construction of the subject properties, or have since been incorporated. We are therefore unable to report that the subject properties are free from risk in this respect. For the purpose of this valuation, we have assumed that such investigations would not disclose the presence of any such materials to any significant extent.

Yours faithfully,

For and on behalf of

Jones Lang LaSalle Real Estate Appraisal Firm

Tony Chao

Managing Director

Licence No: (91) Tai Nei Gu Zi No. 000049

(91) 台內估字第000049號

Note: Mr. Chao is a National Licensed Appraiser in Taiwan and a Managing Director of Jones Lang LaSalle Taiwan Limited and Jones Lang LaSalle Real Estate Appraisal Firm. He has over 16 years of valuation and consulting experiences in various key real estate markets in Taiwan.

SUMMARY OF VALUES

Property	Market value in existing state as at 31 October 2007 (NT\$)	
1. Ta Yuan Plant No. 54-14, Hsu Tsuo Kang Nan Kang Village Ta Yuan Township Tao Yuan Hsien Taiwan		117,574,584
2. Taichung Plant No.13, 22nd Road Industrial Park Nantuon District Taichung City Taiwan		159,353,856
3. Tainan Plant No. 1-11, Tung Shih Laio Shan Hua Township Tainan Hsien Taiwan		113,716,936
Total:		390,645,376

VALUATION CERTIFICATE

	Property and ownership	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2007				
1.	<p>The property is a factory located at No. 54-14, Hsu Tsuo Kang Nan Kang Village, Ta Yuan Township, Tao Yuan Hsien, Taiwan.</p> <p>Land identification: Location: Lot No. 935-44, Hsu Tsuo Kang Section, Ta Yuan Township, Tao Yuan Hsien, Taiwan Owner: Capital Machinery Limited Land share: 1/1</p> <p>Building identification: Location: Building No. 264, Hsu Tsuo Kang Section, Ta Yuan Township, Tao Yuan Hsien, Taiwan Owner: Capital Machinery Limited Building share: 1/1</p>	<p>The property is situated in non-urban planning area in Ta Yuan and zoned as Type D Construction in Special Agricultural Zone for industrial use. The property is right next to Tao Yuan Aviation Park and surrounded by some industrial parks, such as Ta Yuan, Chang Fa, and Guan Yin in the neighboring area. Moreover, the property is 5-minute drive away from Provincial Road No.15, which connects the international airport and the interchange of National Freeway No.2 within 15 minutes. Generally speaking, the location and accessibility of the property is fair.</p> <p>The subject building includes a three-storey office and factory, one-storey warehouse, and one-storey guardroom, which are sited on a lot sized 2,488.37 ping. The subject building completed in 1992 is owned and used by Capital Machinery Limited for office and factory. Moreover, the southeastern and northwestern parts of the property abut onto 16-m and 10-m wide planned roads, respectively.</p> <p>The area of the freehold property is as follows:</p> <table><tr><td>Land Lot No. 935-44:</td><td>8,226.00m² (2,488.37 ping)</td></tr><tr><td>Building No. 264:</td><td>5,998.21m² (1,814.46 ping)</td></tr></table>	Land Lot No. 935-44:	8,226.00m ² (2,488.37 ping)	Building No. 264:	5,998.21m ² (1,814.46 ping)	<p>The property is currently occupied by the owner, Capital Machinery Limited, a 100% owned subsidiary of the Company, as office and factory.</p>	<p>NT\$117,574,584</p> <p>100% property interest</p>
Land Lot No. 935-44:	8,226.00m ² (2,488.37 ping)							
Building No. 264:	5,998.21m ² (1,814.46 ping)							

Notes:

- (1) Other liens: None (no mortgage or loans).
- (2) Title documents were issued by Song Shan Land Office of Taipei City on 3 August 2007.

	Property and ownership	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2007												
2.	<p>The property is a factory located at No.13, 22nd Road, Industrial Park, Nantuo District, Taichung City, Taiwan.</p> <p>Land identification: Location: Lot Nos. 256 and 257, Wen Shan Section, Nantuo District, Taichung City, Taiwan Owner: Capital Machinery Limited Land share: 1/1</p> <p>Building identification: Location: Building Nos. 28 and 28-4, Wen Shan Section, Nantuo District, Taichung City, Taiwan Owner: Capital Machinery Limited Building share: 1/1</p>	<p>The property is zoned for industrial use and situated in Taichung City Industrial Park, where the major industries are manufacturing and storage. The property is located right at the intersection of Industrial Park, 22nd Road and Wu Quan West Road, which is the main road connecting the Nantuo interchange of National Freeway No.1 and National Highway No. 74 within 10 minutes. Generally speaking, the location and accessibility of the property is good.</p> <p>The subject building includes a three-storey office, two-storey factory, one-storey guardroom and one-storey factory, which are sited on two pieces of land sized 1,641.67 ping. Building Nos. 28 and 28-4 are completed in 1982 and 2007, respectively. The subject building is owned and used by Capital Machinery Limited for office and factory. Moreover, the northeastern and northwestern parts of the property abut onto 30-m and 18-m wide planned roads, respectively.</p> <p>The area of the freehold property is as follows:</p> <table><tr><td>Land Lot Nos. 256 and 257:</td><td>5,427.00m² (1,641.67 ping)</td></tr><tr><td>Building No. 28:</td><td>2,364.98m² (715.41 ping)</td></tr><tr><td>Building No. 28-4:</td><td>439.81m² (133.04 ping)</td></tr><tr><td colspan="2"><hr/></td></tr><tr><td>Total Building Area:</td><td>2,804.79m² (848.45 ping)</td></tr><tr><td colspan="2"><hr/></td></tr></table>	Land Lot Nos. 256 and 257:	5,427.00m ² (1,641.67 ping)	Building No. 28:	2,364.98m ² (715.41 ping)	Building No. 28-4:	439.81m ² (133.04 ping)	<hr/>		Total Building Area:	2,804.79m² (848.45 ping)	<hr/>		<p>The property is currently occupied by the owner, Capital Machinery Limited, a 100% owned subsidiary of the Company, as office and factory.</p>	<p>NT\$159,353,856</p> <p>100% property interest</p>
Land Lot Nos. 256 and 257:	5,427.00m ² (1,641.67 ping)															
Building No. 28:	2,364.98m ² (715.41 ping)															
Building No. 28-4:	439.81m ² (133.04 ping)															
<hr/>																
Total Building Area:	2,804.79m² (848.45 ping)															
<hr/>																

Notes:

- (1) Other liens: None (no mortgage or loans).
- (2) Some title documents were issued by Zhong Xing Land Office of Taichung City on 3 August 2007 and some were issued by Song Shan Land Office of Taipei City on 24 August 2007.

	Property and ownership	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2007
3.	<p>The property is a factory located at No. 1-11, Tung Shih Laio, Shan Hua Township, Tainan Hsien, Taiwan.</p> <p>Land identification: Location: 978-2, 979-1, and 980-1, one Subsection, Tung Shih Laio Section, Shan Hua Township, Tainan Hsien, Taiwan Owner: Capital Machinery Limited Land share: 1/1</p> <p>Building identification: Location: Building Nos. 3, 5, 6, 7, 8, 9, 10, and 11, one Subsection, Tung Shih Laio Section, Shan Hua Township, Tainan Hsien, Taiwan Owner: Capital Machinery Limited Building share: 1/1</p>	<p>The property is situated in non-urban planning area in Shan Hua and zoned as Type D Construction in Special Agricultural Zone for industrial use. The property is located right at the side of Provincial Road No. 1, along which many small-sized factories which are scattered in the neighboring area. The property is 5-km away from the northeast of Southern Area Science and Industrial Park, where major industries are TFT manufacturing chain and biotechnology. Moreover, the abutting road is the main access in the locality, which connects the Shan Hua interchange of National Freeway No. 3 and National Highway No. 84 within 15 minutes. Generally speaking, the location and accessibility of the property is fair.</p> <p>The subject building includes Building. Nos. 3, 5, 6, 7, 8, 9, 10 and 11, which are sited on three pieces of land sized 3,589.77 ping. Building Nos. 3, 5, 6, 7, and 8 are completed in 1971, Building Nos. 9 and 10 were completed in 1972, and Building No. 11 was completed in 1979. The subject building is owned and used by Capital Machinery Limited for office and factory. Moreover, the west part of the property abuts onto 30-m wide planned road.</p>	<p>The property is currently occupied by the owner, Capital Machinery Limited, a 100% owned subsidiary of the Company, as office and factory.</p>	<p>NT\$113,716,936</p> <p>100% property interest</p>

Property and ownership	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2007
	The area of the freehold property is as follows:		
	Land Lot Nos. 978-2, 979-1, and 980-1:	11,867.00m ² (3,589.77 ping)	
	Building No. 3:	197.16m ² (59.64 ping)	
	Building No. 5:	643.80m ² (194.75 ping)	
	Building No. 6:	491.04m ² (148.54 ping)	
	Building No. 7:	30.24m ² (9.15 ping)	
	Building No. 8:	379.63m ² (114.84 ping)	
	Building No. 9:	290.40m ² (87.85 ping)	
	Building No. 10:	531.44m ² (160.75 ping)	
	Building No. 11:	152.46m ² (46.12 ping)	
	Total Building Area:	2,716.17m ² (821.64 ping)	

Notes:

- (1) Other liens: None (no mortgage or loans).
- (2) Title documents were issued by Zhong Xing Land Office of Taichung City on 3 August 2007.

The following is the text of a letter, summary of values and valuation certificates for inclusion in this document received from DTZ Debenham Tie Leung (SEA) Pte Ltd, an independent valuer, in connection with its valuation as at 31 October 2007.



Our Ref.: PKE:CT:ao:3.001:0710102/3

29 January 2008

The Directors
Lei Shing Hong Limited
8/F, New World Tower 1
18 Queen's Road Central
Hong Kong

Dear Sirs,

**RE: (1) 10 WEST COAST CRESCENT #03-01, WESTCOVE CONDOMINIUM
SINGAPORE 128041**

(2) 8 GUL AVENUE & 5 GUL DRIVE, SINGAPORE 629652 & 629457

In accordance with your instructions to us to value all the property interests held by Lei Shing Hong Limited ("the Company") and, or its subsidiaries (collectively "the Group") in Singapore, we confirm that we have carried out inspections, made relevant searches and enquiries and obtained such further information as we considered necessary for the purpose of providing the Group with our opinion of the market values of those property interests as at 31 October 2007 (the "date of valuation").

Our valuation of each of the above property interests 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".

Our valuations have been made on the assumption that the owner sells the property interest on the market in their existing state without the benefit of a deferred term contract, sale and leaseback arrangement, joint venture or any similar arrangement which could affect the values of the properties.

No allowances have been made in our valuations for any charges, mortgages or amounts owing on the properties, or for any expenses or taxation which may be incurred in effecting a sale. We have assumed that the properties are free of encumbrances, restrictions or other outgoings of an onerous nature which would affect their values, other than those which have been indicated to us.

Information as to tenure, site area, strata floor area and ownership is obtained from our searches carried out at the Singapore Land Authority. We have also relied to a considerable extent on information provided by the management of Lei Shing Hong (Singapore) Pte Ltd, a subsidiary of the Company, particularly in relation to matters such as tenancy details, land rental, taxation and floor area.

Our opinion of the market value of the subject properties in their existing continued use is arrived at by direct comparison with recent transactions of comparable properties within the vicinity. Necessary adjustments have been made for differences in location, tenure, size, shape, age and condition of buildings, dates of transactions and the prevailing market conditions then amongst other factors affecting their values.

We were not instructed to carry out structural surveys of any buildings, or to test any of the services, but we have reflected in our valuations, where necessary, any items of disrepair which we noticed during the course of our inspections. We are not, however, able to report that the buildings are free of rot, infestation or any other defect.

Our summary of valuation and valuation certificates are enclosed in the following pages.

For and on behalf of
DTZ DEBENHAM TIE LEUNG (SEA) PTE LTD
Poh Kwee Eng (Ms)
Executive Director, Valuation
(Appraiser's Licence No: AD041-2003168D)

Note: Ms Poh Kwee Eng is a Licenced Valuer who has over 25 years of professional experience in valuation.

SUMMARY OF VALUES

		Market Value in existing state as at 31 October 2007
Property Address		
1.	10 West Coast Crescent #03-01 Westcove Condominium Singapore 128041	S\$680,000/–
2.	8 Gul Avenue & 5 Gul Drive Singapore 629652 & 629457	S\$6,100,000/–

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2007
1.	10 West Coast Crescent #03-01 Westcove Condominium Singapore 128041	The property comprises a 3-bedroom apartment located on the 3rd storey of a 7-storey block within Westcove Condominium. The age of the development is approximately 9-10 years.	As at the date of valuation, the property is tenanted at a monthly rental of S\$2,450/– for 2 years commencing from 1 March 2007.	S\$680,000/–
	Lot U56394A Mukim 5	The strata floor area is 116.0 sq.m.		
	4/940 shares in the common property of MK5-6426M.	The property is held under a leasehold tenure of 99 years commencing from 1 March 1995.		

Notes:

1. The registered proprietor of the property is Lei Shing Hong (Singapore) Pte Ltd., which is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2007
2. 8 Gul Avenue & 5 Gul Drive Singapore 629652 & 629657 Lot 257L Mukim 7	<p>The property comprises a 2-storey office block within an annexed warehouse and a single-storey warehouse building fronting Gul Avenue and a single-storey factory facing Gul Drive. The age of the buildings is more than 20 years.</p> <p>The floor area is approximately 6,478.81 sq.m. (including open-shed of about 588.75 sq.m.)</p> <p>The property is held under a leasehold tenure of 60 years commencing from 26 October 1982. The current land rent payable is S\$164,837.28 per annum excluding GST (subject to 5-year revision with effect from 1 January 1988 to a rate based on the market rent, but the increase shall not exceed 50% of the annual rent for each immediately preceding period of five years).</p>	<p>As at the date of valuation, 8 Gul Avenue is tenanted at a monthly rental of S\$32,750/- while 5 Gul Drive is tenanted at a monthly rental of S\$22,500/- for 3 years commencing from 1 March 2007.</p>	S\$6,100,000/-

Notes:

1. The registered lessee of the property is Lei Shing Hong (Singapore) Pte Ltd (formerly known as Kalstar (S) Pte Ltd)., which is a wholly-owned subsidiary of the Company.
2. The premises are permitted to be used for the manufacture and service of hydraulic hose couplings, hydraulic hose assembly, air-condition couplings and hose assemblies and manufacture and service of quarry equipment and heavy material handling equipment only except with the consent in writing of the lessor.

LIMITING CONDITIONS

Our valuation of the property represents its market value, which is defined as “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.”

Our valuation excludes an estimated price inflated or deflated by special terms or circumstances such as a typical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property or any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of any onerous nature which could affect its value.

We have valued the property by direct comparison approach assuming sale of the property in its existing state by making reference to comparable sales transactions as available in the relevant market in respect of the vacant units or, where appropriate, by capitalizing the rental income derived from the existing tenancy with due provision for any reversionary income potential of the tenanted units.

We have relied to a very considerable extent on the information given by you and have accepted advice given to us on such matters as planning approvals, tenure, particulars of occupancy, floor areas and all other relevant matters. Dimensions and measurements are based on the copies of documents or other information provided to us by you and are therefore only approximations. No on-site measurement has been carried out.

We have no reason to doubt the truth and accuracy of the information provided to us by you which is material to the valuation. We were also advised by you that no material facts have been omitted from the information provided.

We have inspected the property. 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 whether the property is free of rot, infestation or any other structural defects. No test was carried out on any of the services.

The following is the text of a letter, summary of values and valuation certificates prepared for the purpose of incorporation in this document received from CB Richard Ellis Limited, an independent valuer, in connection with its valuations as at 31 October 2007.

CBRE

CB RICHARD ELLIS

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29 January 2008

The board of directors
Lei Shing Hong Limited
8/F, New World Tower, Tower 1
18 Queen's Road Central
Hong Kong

And

The board of directors
Vietnam Star Automobile Ltd.
2 Truong Chinh Street, Tay Thanh Ward
Tan Phu District, Ho Chi Minh City
Vietnam

Dear Sirs,

Re: Valuation of properties interests in Socialist Republic of Vietnam.

In accordance with your instructions for us to value the property interests held by Lei Shing Hong Limited (the “Company”) and its subsidiaries (hereinafter together known as the “Group”) in the Socialist Republic of Vietnam (referred hereinafter as “Vietnam”), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of such property interests as at 31 October 2007 (the “date of valuation”).

We have valued the property interests on the basis of 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.”

Our valuation has been made on the assumption that the owner sells the properties in the market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the values of the property interests. In addition, no account is taken of any option or pre-emptive right relating to or affecting the sale of the properties and no forced sale in any form in respect of the properties has been assumed in our valuations.

In the course of our valuation for the properties in Vietnam, we have been provided with extracts from title documents relating to such property interests. We have not, however, searched the original documents to verify ownership or existence of any amendments, which do not appear on the copies handed to us. All documents have been used as reference only.

In valuing the property interests, which are held or occupied by the Group, we have adopted the market approach in valuing the land portion of the property and depreciated replacement cost approach in assessing building structures standing on the land. In the valuation of the land portion, reference has been made to the standard land price in Ho Chi Minh City and Hanoi City, and the sales evidence as available to us in the locality.

Property No. 1 (HCMC) is rented by the Group and is considered to have no commercial value due to limitation on ownership, title tenure and restriction on assignment or sub-letting.

In valuing Property No. 2 (Hanoi) interest, we have assessed the value assuming that all legal title documents are in order and will be obtained by the Group without any problems or delay.

We have relied to a considerable extent on information provided by the Group and have accepted advice given to us by the Group on matters such as planning and construction approvals, statutory notices, easements, tenure, occupation, lettings, site and floor areas and in the identification of those property interests in which the Group has a valid interest.

Where due to the specific purpose for which the buildings and structures of the property interests have been constructed, or where the property interests are located in markets where there are no readily identifiable markets comparable, the property interests have been valued on the basis of the depreciated replacement cost. The depreciated replacement cost approach considers the cost to reproduce or replace in new condition the property appraised in accordance with current construction costs for similar property in the locality, with allowance for accrued depreciation as evidence by observed condition or obsolescence present, whether arising from physical, functional or economics causes.

We have inspected the properties to such extent as for the purpose of this valuation. In the course of our inspection, we did not notice any serious defects. However, we have not carried out any structural survey nor inspected other parts of the structures, which are covered, unexposed or inaccessible. Therefore, we are not able to report whether the properties are free of rot, infestation or any other structural defects. Floor areas have been taken from the Ownership Certificate (HCM), information provided by the Group. If these areas are subsequently proven to be incorrect, we reserve the right to review this valuation.

We have not carried out land survey to verify the site boundaries of the properties; we have not investigated the site to determine the suitability of soil conditions, the availability of services, etc. for future development. Our report is prepared on the assumption that these aspects are satisfactory. This report does not make any allowance for contamination or pollution of the lands, if any, which may have occurred as a result of past usage.

Dimensions, measurements and areas included in the valuation certificates are only approximations. We have taken every reasonable care both during inspecting the information provided to us and in making relevant enquiries. We have no reason to doubt the truth and accuracy of the information provided to us by the Group, which is material to the valuation. We were also advised by the Group that no material facts have been omitted from the information provided to us.

No allowance has been made in our valuation for any charges, mortgages or amount owing on the property interests or for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

Unless otherwise stated, all monetary amounts are stated in United States dollars (US\$). Where necessary, we have converted Vietnamese Dong (“VND”) into United States dollars (US\$) at the average exchange rate of US\$1 = VND 16,084, being the rate prevailing at the date of valuation.

We enclose herewith a summary of values and our valuation certificates.

Yours faithfully,
For and on behalf of
CB Richard Ellis Limited
Jeremy S.J King AAPI
Certified Practicing Valuer
Registered Valuer (Qld) No. 2036
Associate Director
Valuation & Advisory Services

Note: Mr. King is an Associate of the Australia Property Institute (AAPI), Registered Practicing Valuer. He has over 20 years’ valuation experience in Australia, Vietnam and South Asia.

SUMMARY OF VALUATIONS

Property interests held and occupied by the Group

Property Interests		Capital Value in existing state as at 31 October 2007 (US\$)	Interest attributable to the Group	Capital Value attributable to the Group as at 31 October 2007 (US\$)
1.	Office, Showroom and Workshop 2 Truong Chinh Street, Tay Thanh Ward, Tan Phu District, Ho Chi Minh City, Vietnam	0	0%	0
2.	Office, Showroom and Workshop Lot D5-1, Dai Tu Industrial Park, 386 Nguyen Van Linh Street, Long Bien District, Hanoi City, Vietnam	1,750,000	100%	1,750,000
			TOTAL	<u><u>1,750,000</u></u>

VALUATION CERTIFICATE

			Capital Value in existing state as at 31 October 2007 (US\$)														
Property	Description and tenure	Details of occupancy															
1. Office, Showroom and Workshop 2 Truong Chinh Street, Tay Thanh Ward, Tan Phu District, Ho Chi Minh City, Vietnam	<p>The property comprises warehouse type workshop, showroom, office and 2 storey ancillary structures erected on a total site area of approximately 5,250 square meters.</p> <p>The buildings and structures were completed in October 2005.</p> <p>The floor area breakdown of the buildings under the ownership certificate are shown below:</p> <table><tr><th>Item</th><th>Gross Floor Area (sq.m.)</th></tr><tr><td>Workshop</td><td>1,019.14</td></tr><tr><td>Office</td><td>1,061.98</td></tr><tr><td>Showroom</td><td>770.00</td></tr><tr><td colspan="2"><hr/></td></tr><tr><td>Total</td><td>2,851.12</td></tr><tr><td colspan="2"><hr/><hr/></td></tr></table>	Item	Gross Floor Area (sq.m.)	Workshop	1,019.14	Office	1,061.98	Showroom	770.00	<hr/>		Total	2,851.12	<hr/> <hr/>		<p>The property is occupied by Vietnam Star Automobile Limited, which is a 100% owned subsidiary of the Company, as a showroom, workshop and office.</p>	0
Item	Gross Floor Area (sq.m.)																
Workshop	1,019.14																
Office	1,061.98																
Showroom	770.00																
<hr/>																	
Total	2,851.12																
<hr/> <hr/>																	
<p>The buildings and structures, and other land improvements include showroom area, office, maintenance and workshop area, staff canteen area, storage area, guardhouse, staff's parking area, landscaped area, internal driveways, perimeter fence and loading area.</p> <p>The property is leased from Thang Loi Textile – Garment Company to the Group for a term of 25 years commencing from 1 August 2005 to 31 July 2030 in terms of rental fee, including the variable rent fee of US\$17.6 (VND1,487,367,450/16,084/5,250) per square meter per year and fixed rent fee of US\$26.3 (US\$137,880/5,250) per square meter per year which fairly average total of US\$43.9 per square meter per year for the first ten years. The rental fee of fixed rent for the second 10 years is to market review and can be adjusted upward or downward but may not exceed 20% of the amount of fixed rent payable for the first 10 years. The fixed rent for the last five years period can be adjusted upward or downward but may not exceed 10% of the amount of fixed rent payable for the second 10 years.</p>																	

Notes:

1. Pursuant to the Lease Contract dated 22 March 2006 between Thang loi Textile – Garment Company, represented by Ms. Thach Thi Phong Huyen, Acting General Director (The Landlord) and the Group, represented by Mr. Au Siu Yip, Aaron, Attorney-in-fact and Acting General Director, the Group agrees to take on the lease of the property located at No.2, Truong Chinh Street, Tan Phu District, Ho Chi Minh City, Vietnam for a term of 25 years, effective from 1 August 2005 to 31 July 2030, at a rental fee, including the variable rent fee of US\$17.6 (VND1,487,367,450/16,084/5250) per square meter per year and fixed rent fee of US\$26.3 (US\$137,880/5250) per square meter per year which fairly average total of US\$43.9 per square meter per year for the first ten years. The rental fee of fixed rent for the second 10 years is to market review and can be adjusted upward or downward but may not exceed 20% of the amount of fixed rent payable for the first 10 years. The fixed rent for the last five years period can be adjusted upward or downward but may not exceed 10% of the amount of fixed rent payable for the second 10 years.

The Lease Contract has not obtained notary office verification.

2. No commercial value is valid for the property. We note that the replacement cost for the improvements is assessed at US\$1,050,000.
3. We were advised that the registered owner of the property is a State Owned Company which is under processing to convert into a Joint Stock Company and is an independent third party from the Group. The Group is the tenant of the building and does not own the land or building thereon.
4. Pursuant to Building Ownership Certificate No. 08/2006/GCN-CTXD dated 7 March 2006 issued by The Construction Services Department of Ho Chi Minh City's People's Committee to the Landlord, the total gross floor area is 2,851.12 square meters.
5. We have been provided with a legal opinion on the property prepared by the Group's Vietnam Legal Adviser which contains, inter alia, the following:
 - (i) The Group, as a lessee, has the right to possess and to use the Complex during the leased term for its licensed business purpose only, it does not have the right to dispose of the Complex. Further, under provisions of the Civil Code, ownership rights are defined to comprise of the right of the owner to possess, use and dispose of the property of the owner in accordance with the law. As discussed above, the Group's right as a lessee does not cover the right to dispose of the Complex. In other words, Vietnam Star Automobile Limited does not have the ownership rights to the Complex.
 - (ii) Based on Article 483 of Civil Code, a lessee may sub-lease leased property with the consent of the lessor. Under the Lease Agreement, the Group is allowed to sub-lease any part of the Complex to a third party at its discretion provided that the sub-lessee conducts its business in accordance with Vietnamese law and the sub-leasing does not adversely affect the business and operations of the landlord. As such, the Group may sub-lease a part, and not the whole, of the Complex if leasing activity falls within the business scope of the Group. At this stage, the Group has not yet registered leasing activity as a business line in its Investment License. In order to be able to sub-lease the Complex to a third party, the Group must first seek approval from the licensing authority for this business activity.

			Capital Value in existing state as at 31 October 2007 (US\$)						
Property	Description and tenure	Details of occupancy							
2. Office, Showroom and Workshop Hanoi – Lot D5-1, Dai Tu Industrial Park, 386 Nguyen Van Linh Street, Long Bien District, Hanoi City, Vietnam	<p>The property comprises warehouse type workshop, showroom, office and 2 storey ancillary structures erected on a total site area of approximately 5,654 square meters.</p> <p>The buildings and structures were completed in December 2006.</p> <p>The floor area (as per information supplied) breakdown of the buildings are shown below:</p> <table><tr><th>Building</th><th>Gross Floor Area (sq.m.)</th></tr><tr><td>Showroom and office</td><td>1,660</td></tr><tr><td>Workshop</td><td>550</td></tr></table> <p>The buildings and structures and other land improvements include showroom area, office, maintenance and workshop area, staff canteen area, storage area, guardhouse, staff’s parking area, landscaped area, internal driveways, perimeter fence and loading area.</p> <p>According to the Land Lease Agreement No.10/HDTD-HNDT dated 28 April 2006 between Hanoi – Dai Tu Industrial Park Development Company and the Group, the Group agrees to lease a parcel of land with site areas of 5,654 square meters for the purposes of building a showroom, workshop and office for a term of 39 years, subject to the extension of the Investment License of the lessee expiring on 22 August 2045, in terms of rental fee of US\$90 per square meter for 39 years exclusive of Value Added Tax (“VAT”).</p> <p>Under Land Use Right Certificate No.AD493750 dated 3 August 2007, the property with site area of 5,717.5 square meters was granted for building maintenance center showroom (land in industrial zone) and for a term expiring on 22 August 2045.</p>	Building	Gross Floor Area (sq.m.)	Showroom and office	1,660	Workshop	550	<p>The property is occupied by Vietnam Star Automobile Limited, which is a 100% owned subsidiary of the Company, as a showroom, workshop and office.</p>	1,750,000
Building	Gross Floor Area (sq.m.)								
Showroom and office	1,660								
Workshop	550								

Notes:

1. Pursuant to the Land Lease Agreement No.10/HDTD-HNDT dated 28 April 2006 between Hanoi – Dai Tu Industrial Park Development Company and the Group, the Group agrees to lease the land located at Lot D5-1 with a land site area of 5,654 square meter located in Hanoi – Dai Tu Industrial Park, 386 Nguyen Van Linh Street, Long Bien District, Hanoi City, Vietnam for the purposes of building a showroom, workshop and office for a term of 39 years, subject to the extension of the Investment License of the lessee expiring on 22 August 2045, in terms of rental fee of US\$90 per square meter for 39 years exclusive of VAT applied for the whole term. Payment is made in three instalments: a deposit of 15% of the total contract value before signing the lease, 35% of the total contract value within seven days after the granting of the Branch license to the Group and 50% of the total contract value within seven days after issue of the land use right certificate in the Group's name.
2. Pursuant to Land Use Right Certificate No.AD493750 dated 3 August 2007 issued by the People's Committee of Hanoi City to the Group, Vietnam Star Automobile Limited, a 100% owned subsidiary of the Company, is granted the land use right of the subject land located at Lot D5-1, Ha Noi – Dai Tu Industrial Zone, Phuc Loi Ward, Long Bien District, Hanoi City with a total site area of 5,717.5 square meters for building of maintenance center and showroom (land in industrial zone) on a leasehold basis for a term expiring on 22 August 2045.
3. The Group has not obtained a Certificate of Ownership of Building but is in the course of applying for it.
4. We assessed the value assuming that all legal title documents are in order and will be obtained by the Group without any problems or delay.
5. We have been provided with a legal opinion on the property prepared by the Group's Vietnam Legal Adviser which contains, inter alia, the following:
 - (i) The Group is allowed to use the land use right of the Land as security interest for borrowing money and other financial arrangements without requiring consent or approval from the Government authorities or the lessor.
 - (ii) Leasing of the building and land use right will be subject to the authorized scope of business of the Group under its Investment License.

1. RESPONSIBILITY STATEMENT

This document includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Proposal, the Offeror, members of the Consortium and the Company.

The directors of the Offeror jointly and severally accept full responsibility for the accuracy of the information contained in this document other than that relating to the Company, and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this document other than those expressed by the Company, have been arrived at after due and careful consideration and there are no facts relating to the Offeror and/or the Consortium not contained in this document, the omission of which would make any statement in this document misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this document other than that relating to the Offeror and/or the members of the Consortium, and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this document other than those expressed by the Offeror have been arrived at after due and careful consideration and there are no facts relating to the Group not contained in this document, the omission of which would make any statement in this document misleading.

2. MARKET PRICES OF THE COMPANY'S SHARES

The lowest and highest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK\$3.30 per Share from 5 February 2007 to 9 February 2007 and from 25 May 2007 to 1 June 2007 and HK\$11.30 per Share on 30 October 2007 respectively.

The table below sets out the closing prices of the Shares on the Stock Exchange on the last business day of each of the calendar months commencing six months immediately preceding the Preliminary Announcement up to the Latest Practicable Date:

	Closing price <i>HK\$</i>
31 January 2007	3.40
28 February 2007	3.50
30 March 2007	3.50
30 April 2007	3.60
31 May 2007	3.30
29 June 2007	4.40
31 July 2007	6.01
31 August 2007	6.03
28 September 2007	6.30
31 October 2007	9.75
30 November 2007	8.99
31 December 2007	8.99

The closing price of the Shares on the Stock Exchange on 20 July 2007, being the last full date on which the Shares were traded before the publication of the Preliminary Announcement, was HK\$5.30 per Share. The closing price of the Shares on the Stock Exchange on the Last Trading Date was HK\$8.99 per Share. Trading in Shares on the Stock Exchange has been suspended since 9:37 a.m. on 5 November 2007.

3. DISCLOSURE OF INTERESTS

Interests of Directors and chief executive in securities of the Group

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying shares and debentures of the Company and any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or the Model Code for Securities Transactions by Directors of Listed Companies (the “Model Code”) in the Listing Rules, or which were required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO, were as follows:

Long positions in Shares and underlying Shares

Name of Director	Capacity/ Nature of interest	Number of Shares	(Approximate percentage of issued Shares)	Number of Shares underlying Options granted	(Approximate percentage of issued Shares)
David Park	Beneficial owner	200,000	0.019%	–	–
Gan Khian Seng	Beneficial owner	200,000	0.019%	–	–
Yong Foo San	Beneficial owner	200,000	0.019%	–	–
Lim Mooi Ying, Marianne	Beneficial owner	272,000	0.026%	–	–

Save as disclosed above, as at the Latest Practicable Date, neither the chief executive of the Company nor any of the Directors had any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Director was taken or deemed to have under such provisions of the SFO) or the Model Code, or which were required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO.

Interests of substantial shareholders in Shares

As at the Latest Practicable Date, so far as was known to any of the Directors, the following persons had or were deemed to have interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Capacity/ Nature of interest	Number of Shares	Approximate percentage of issued Shares
Mr. Lau Gek Poh	Interests of controlled corporations	663,143,816	62.3652%
Amerdale Investments (Note i)	Beneficial owner	205,271,883	19.3047%
Mr. Yaw Teck Seng	Interests of controlled corporations	274,242,987	25.7911%
Pacific Legend Inc. (Note ii)	Interests of controlled corporation	235,282,761	22.1271%
Victon Investment (Note iii)	Beneficial owner	235,282,761	22.1271%

Notes:

- (i) Amerdale Investments is controlled by Mr. Lau Gek Poh.
- (ii) Pacific Legend Inc. is controlled by Mr. Yaw Teck Seng.
- (iii) Victon Investment is controlled by Pacific Legend Inc.

Save as disclosed above, as at the Latest Practicable Date, there was no person, so far as was known to any of the Directors, who had any interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Certain interests of the Company, the Directors and other parties

As at the Latest Practicable Date:

- (a) neither the Company nor any of the Directors was interested in any shares in the Offeror or any convertible securities, warrants, options or derivatives in respect of such shares or had dealt in the same during the Relevant Period;

- (b) none of the subsidiaries of the Company, the pension funds of the Company or any of its subsidiaries, and the advisers to the Company (as specified in class (2) of the definition of “associate” in the Takeovers Code) owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares; and
- (c) neither the Company nor any of its Associates (by virtue of classes (1) to (4) of the definition of “associate” in the Takeovers Code) had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code.

Certain interests of the Offeror, its directors and parties acting in concert with it

As at the Latest Practicable Date:

- (a) the Offeror was not interested in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares;
- (b) except for Mr. Ito Taikichi, a director of the Offeror and a member of the Consortium who was interested in 7,901,000 Shares, none of the directors of the Offeror was interested in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares;
- (c) except as disclosed under the sections headed “Information on the Consortium” and “Total Cancellation Consideration and Confirmation of Financial Resources” in the Explanatory Statement in respect of the members of the Consortium, Mr. Chan Man Chit, the Lau Concert Parties and Hayfield Enterprises Limited, none of the parties acting in concert with the Offeror was interested in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares;
- (d) no person had irrevocably committed themselves to the Offeror to accept or reject the offer; and
- (e) neither the Offeror nor any person acting in concert with it had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code.

Information regarding the share capital of the Company

As at the Latest Practicable Date:

- (a) the authorised share capital of the Company was HK\$2,000,000,000 comprising 2,000,000,000 Shares;
- (b) the issued share capital of the Company was HK\$1,063,324,288 comprising 1,063,324,288 Shares;

- (c) the Company did not have any outstanding options, warrants, derivatives or convertible securities; and
- (d) the Company had issued 2,726,000 Shares since 31 December 2007, being the end of the last financial year of the Company.

Each of the Shares ranks *pari passu* in all respects, including as to dividends, voting rights and capital.

4. DEALINGS IN THE SECURITIES OF THE COMPANY

During the Relevant Period:

- (a) except for the following dealings, none of the Directors had dealt for value in the Shares or any convertible securities, warrants, options or derivatives in respect of the Shares:
 - (i) the exercise of Options in respect of 200,000 unissued Shares at an exercise price of HK\$6.00 per Share on 7 January 2008 by Mr. David Park;
 - (ii) the exercise of Options in respect of 200,000 unissued Shares at an exercise price of HK\$6.00 per Share on 7 January 2008 by Mr. Gan Khian Seng;
 - (iii) the exercise of Options in respect of 200,000 unissued Shares at an exercise price of HK\$6.00 per Share on 7 January 2008 by Mr. Yong Foo San; and
 - (iv) the exercise of Options in respect of 200,000 unissued Shares at an exercise price of HK\$6.00 per Share on 7 January 2008 by Ms. Lim Mooi Ying, Marianne;
- (b) no subsidiary of the Company, or pension fund of the Company or of a subsidiary of the Company, or adviser to the Company (as specified in class (2) of the definition of “associate” in the Takeovers Code), or fund managers connected with the Company had dealt for value in the Shares or any convertible securities, warrants, options or derivatives in respect of the Shares;
- (c) neither the Offeror nor any of its directors dealt for value in the Shares or any convertible securities, warrants, options or derivatives in respect of the Shares; and
- (d) except for the following dealings, none of the parties acting in concert with the Offeror had dealt for value in the Shares or any convertible securities, warrants, options or derivatives in respect of the Shares:
 - (i) the exercise of Options in respect of 200,000 unissued Shares at an exercise price of HK\$6.00 per Share on 7 January 2008 by Mr. Lau Chor Lok, being a member of the Consortium;

- (ii) the exercise of Options in respect of 100,000 unissued Shares at an exercise price of HK\$6.00 per Share on 7 January 2008 by Ms. Lau Shun King, Susanna, being a member of the Consortium;
- (iii) the exercise of Options in respect of 200,000 unissued Shares at an exercise price of HK\$6.00 per Share on 7 January 2008 by Mr. Lau Yu Ting, being a party presumed to be acting in concert with certain members of the Consortium;
- (iv) the exercise of Options in respect of 200,000 unissued Shares at an exercise price of HK\$6.00 per Share on 7 January 2008 by Mr. Lau Kwok Kee, being a party presumed to be acting in concert with certain members of the Consortium;
- (v) by Wellmix Enterprise Limited, being a member of the Consortium:
 - (1) a purchase of 3,000 Shares at a price of HK\$3.30 per Share on the Stock Exchange on 12 February 2007;
 - (2) a purchase of 5,000 Shares at a price of HK\$3.50 per Share on the Stock Exchange on 21 March 2007;
 - (3) a purchase of 20,000 Shares at a price of HK\$3.45 per Share on the Stock Exchange on 18 May 2007;
 - (4) a sale on the Stock Exchange on 4 June 2007 of 10,000 Shares at a price of HK\$3.60 per Share, 5,000 Shares at a price of HK\$3.70 per Share, 2,000 Shares at a price of HK\$3.80 per Share and 5,000 Shares at a price of HK\$3.90 per Share;
 - (5) a sale on the Stock Exchange on 22 October 2007 of 3,000 Shares at a price of HK\$8.70 per Share, 2,000 Shares at a price of HK\$8.80 per Share, 2,000 Shares at a price of HK\$8.90 per Share, 1,000 Shares at a price of HK\$9.00 per Share, 10,000 Shares at a price of HK\$9.10 per Share, 15,000 Shares at a price of HK\$9.20 per Share and 10,000 Shares at a price of HK\$9.40 per Share; and
 - (6) a sale on the Stock Exchange on 23 October 2007 of 1,000 Shares at a price of HK\$10.10 per Share and 1,000 Shares at a price of HK\$10.20 per Share;
- (vi) by Mr. Chan Man Chit, being a joint owner of the Jointly Owned Shares with Wellmix Enterprise Limited and one of its directors and therefore deemed to be a party acting in concert with a member of the Consortium:
 - (1) a sale on the Stock Exchange on 25 July 2007 of 1,000 Shares at HK\$7.15 per Share;

- (2) a sale on the Stock Exchange on 2 October 2007 of 1,000 Shares at HK\$6.40 per Share;
- (3) a sale on the Stock Exchange on 23 October 2007 of 1,000 Shares at HK\$9.00 per Share; and
- (4) a sale on the Stock Exchange on 30 October 2007 of 1,000 Shares at HK\$11.20 per Share.

5. ARRANGEMENTS IN CONNECTION WITH THE OFFER

- (a) There is no agreement or arrangement or understanding (including any compensation arrangement) between the Offeror, members of the Consortium, and any person acting in concert with any one of them (on the one part) and any of the Directors, recent Directors, Shareholders other than members of the Consortium or recent Shareholders of the Company (on the other part) having any connection with or dependence upon the Scheme of Arrangement.
- (b) There is no agreement or arrangement to which the Offeror is party which relates to the circumstances in which it may or may not invoke or seek to invoke a condition to the Proposal.
- (c) Save for the share mortgage in respect of one Share agreed to be provided by the Offeror to Hayfield Enterprises Limited as described in the section headed “Total Cancellation Consideration and Confirmation of Financial Resources” in the Explanatory Statement, the Offeror has no intention to transfer, charge or pledge any securities in the Company acquired pursuant to the Scheme of Arrangement to any other person, nor has it any agreement, arrangement or understanding with any third party to do so.
- (d) Settlement of the Cancellation Consideration to which any holder of the Scheme Shares is entitled will be implemented in full in accordance with the terms of the Scheme of Arrangement without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such holder.
- (e) In the event that the Scheme of Arrangement becomes effective, the costs of the Scheme of Arrangement will be borne by the Offeror. The costs of the Scheme of Arrangement and of its implementation are expected to amount to approximately HK\$34 million. These primarily consist of fees for financial advisers, legal advisers, accounting, printing and other related charges. In the event that the Scheme of Arrangement does not become effective, all the expenses incurred by the Company in connection with the Scheme of Arrangement shall be borne by the members of the Consortium.

6. ARRANGEMENTS AFFECTING DIRECTORS

As at the Latest Practicable Date:

- (a) none of the Directors will be given any benefit as compensation for loss of office or otherwise in connection with the Scheme of Arrangement;
- (b) there is no agreement or arrangement between any of the Directors and any other person which is conditional on or dependent upon the outcome of the Scheme of Arrangement or otherwise connected with the Scheme of Arrangement;
- (c) no material contract has been entered into by the Offeror in which any Director has a material personal interest; and
- (d) save for the following letter of appointment and service agreements, none of the Directors had entered into any service contract with the Company or any of its subsidiaries or associated companies which are fixed term contracts having more than 12 months to run, or which had been entered into or amended within six months before the commencement of the offer period, being the date of the Preliminary Announcement, or which is a continuous contract with a notice period of 12 months or more:
 - (i) the letter of appointment as chairman and executive director issued by the Company to Mr. David Park dated 28 February 2007, which has a one year term expiring on 29 February 2008 and provides for fixed remuneration (including housing allowance and travel allowance) during the term in the amount of HK\$5,202,000 and a guaranteed bonus in the amount of HK\$960,000;
 - (ii) the non-executive director's service agreement between the Company and Mr. Christopher Patrick Langley dated 22 May 2007, which has a term commencing on 23 May 2007 and terminating on the earliest of 23 May 2008, or the annual general meeting of the Company to be held in 2008, or the expiry of one month's notice by either party, and provides for a service fee of HK\$130,000 per year;
 - (iii) the non-executive director's service agreement between the Company and Mr. Victor Yang dated 22 May 2007, which has a term commencing on 23 May 2007 and terminating on the earliest of 23 May 2009, or the annual general meeting of the Company to be held in 2009, or the expiry of one month's notice by either party, and provides for a service fee of HK\$180,000 per year;
 - (iv) the non-executive director's service agreement between the Company and Mr. Lam Kwong Yu dated 22 May 2007, which has a term commencing on 23 May 2007 and terminating on the earliest of 23 May 2009, or the annual general meeting of the Company to be held in 2009, or the expiry of one month's notice by either party, and provides for a service fee of HK\$130,000 per year;

- (v) the independent non-executive director's service agreement between the Company and Mr. Fung Ka Pun dated 22 May 2007, which has a term commencing on 23 May 2007 and terminating on the earliest of 23 May 2009, or the annual general meeting of the Company to be held in 2009, or the expiry of one month's notice by either party, and provides for a service fee of HK\$180,000 per year;
- (vi) the independent non-executive director's service agreement between the Company and Mr. Alan Howard Smith dated 22 May 2007, which has a term commencing on 23 May 2007 and terminating on the earliest of 23 May 2008, or the annual general meeting of the Company to be held in 2008, or the expiry of one month's notice by either party, and provides for a service fee of HK\$130,000 per year; and
- (vii) the independent non-executive director's service agreement between the Company and Mr. Hubert Meier dated 22 May 2007, which has a term commencing on 23 May 2007 and terminating on the earliest of 23 May 2009, or the annual general meeting of the Company to be held in 2009, or the expiry of one month's notice by either party, and provides for a service fee of HK\$180,000 per year.

7. LITIGATION

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

8. MATERIAL CONTRACTS

No material contracts other than contracts entered into in the ordinary course of business had been entered into by any member of the Group within two years preceding the date of the Preliminary Announcement and up to the Latest Practicable Date.

9. EXPERTS

The following are the qualifications of each of the experts who have been named in this document or given their opinion or advice which are contained in this document:

Name	Qualification
Ernst & Young	Certified public accountants
Quam Capital Limited	Licensed under the SFO for type 6 (advising on corporate finance) regulated activity as defined under the SFO

Name	Qualification
Chung, Chan & Associates	Property valuers
Goryo Appraisal Co., Ltd.	Property valuers
Jones Lang LaSalle Real Estate Appraisal Firm	Property valuers
DTZ Debenham Tie Leung (SEA) Pte Ltd	Property valuers
CB Richard Ellis Limited	Property valuers
UBS AG acting through its business group, UBS Investment Bank	Registered under the SFO for type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance), type 7 (providing automated trading series) and type 9 (asset management) regulated activities as defined under the SFO

10. CONSENT

Ernst & Young, Quam Capital Limited, Chung, Chan & Associates, Jones Lang LaSalle Real Estate Appraisal Firm, CB Richard Ellis Limited, DTZ Debenham Tie Leung (SEA) Pte Ltd, Goryo Appraisal Co., Ltd. and UBS AG have given and have not withdrawn their respective written consents to the issue of this document with the inclusion in this document of the text of their respective letters, reports or opinions as the case may be and references to their names in the form and context in which they respectively appear.

11. GENERAL

- (a) The registered office of the Company is situate at 8th Floor, New World Tower I, 18 Queen's Road Central, Hong Kong.
- (b) The registered office of the Offeror is situate at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. The directors of the Offeror are Ms. Sim Siew Meng, Mr. Heng Chin Tung and Mr. Ito Taikichi.
- (c) The registered address of Amerdale Investments is Trust Company Complex, Ajeltake Island, Ajeltake Road, Majuro, Marshall Islands. The directors of Amerdale Investments are Mr. Yap Chai Soon, Mr. Frederick Paul Huey and Ms. Lau Soo Lim. Mr. Lau Gek Poh is the controlling shareholder of Amerdale Investments, which in turn is the controlling shareholder of the Offeror.
- (d) The registered address of UBS AG in Hong Kong is 46-52/F., Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

- (e) The registered office of Quam Capital Limited is at 32/F., Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong.
- (f) The share registrar and transfer office of the Company is Tricor Tengis Limited which is situate at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (g) The English language text of this document and the accompanying forms of proxy shall prevail over the Chinese language text.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection from 9:30 a.m. to 5:30 p.m., Monday to Friday at (i) the registered office of the Company, at 8th Floor, New World Tower I, 18 Queen's Road Central, Hong Kong; (ii) the website of the Company at www.lsh.com; and (iii) the website of SFC at www.sfc.hk from the date when this document is published until the Effective Date or the date on which the Scheme of Arrangement is withdrawn or lapsed, whichever is earliest:

- (a) the memorandum and articles of association of the Offeror;
- (b) the memorandum and articles of association of the Company;
- (c) the annual report containing the audited consolidated financial statements of the Company for each of the two years ended 31 December 2005 and 31 December 2006, and the interim report containing the unaudited consolidated financial statements of the Company for the six months ended 30 June 2007;
- (d) the letter from the Board, the text of which is set out on pages 8 to 11 of this document;
- (e) the letter from the Independent Board Committee, the text of which is set out on pages 12 to 13 of this document;
- (f) the letter of advice from Quam Capital, the text of which is set out on pages 14 to 27 of this document;
- (g) the letters and summaries of valuation from the property valuers, the texts of which are set out in Appendices II to VI;
- (h) the letter of appointment and service agreements in respect of certain Directors referred to in paragraph 6 above headed "Arrangements affecting Directors" in this Appendix VII; and
- (i) the written consents referred to in paragraph 10 above headed "Consent" in this Appendix VII.

**IN THE HIGH COURT OF THE
HONG KONG SPECIAL ADMINISTRATIVE REGION
COURT OF FIRST INSTANCE
MISCELLANEOUS PROCEEDINGS NO. 84 OF 2008**

**In the Matter
of
LEI SHING HONG LIMITED**

**利 星 行 有 限 公 司
and**

**In the Matter of
the COMPANIES ORDINANCE,
Chapter 32 of the Laws of the Hong Kong Special Administrative Region**

**SCHEME OF ARRANGEMENT
under Section 166 of the Companies Ordinance,
Chapter 32 of the Laws of the Hong Kong Special Administrative Region**

between

**LEI SHING HONG LIMITED
利 星 行 有 限 公 司**

and

**the holders of the Scheme Shares
(as hereinafter defined)**

PRELIMINARY

SCHEME OF ARRANGEMENT

(A) In this Scheme of Arrangement, unless inconsistent with the subject or context, the following expressions shall have the meanings respectively set opposite them:

“Company”	Lei Shing Hong Limited 利星行有限公司, a company incorporated in Hong Kong with limited liability and the Shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited;
“Court”	High Court of Hong Kong;
“Effective Date”	the date on which this Scheme of Arrangement, if approved, becomes effective in accordance with Clause 5 of this Scheme of Arrangement;
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong;
“holder”	a registered holder, including any person entitled by transmission to be registered as such and joint holders;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Offeror”	Best Star Group Limited 好星集團有限公司, a company incorporated in the British Virgin Islands with limited liability for the purpose of implementing this Scheme of Arrangement;
“Record Time”	4:00 p.m. Hong Kong time on the trading day immediately preceding the Effective Date;
“Scheme of Arrangement”	this scheme of arrangement in its present form or with or subject to any modification thereof or addition thereto or conditions approved or imposed by the Court;
“Scheme Shares”	Shares in issue at the Record Time other than those beneficially owned by the parties whose names are set forth in the first column of the Schedule to paragraph (B) of this Preliminary part; and
“Shares”	the ordinary shares of HK\$1.00 each in the capital of the Company.

SCHEME OF ARRANGEMENT

(B) The authorised capital of the Company is HK\$2,000,000,000 divided into 2,000,000,000 Shares, of which 1,063,324,288 Shares have been issued and are fully paid or credited as fully paid. Of the 1,063,324,288 issued and fully paid Shares, an aggregate of 1,019,947,189 Shares, representing 95.9206% of the issued capital of the Company, are beneficially owned by the parties whose names are set forth in the first column of the Schedule hereto and the numbers of the Shares respectively so owned by each of them as stated in the third column are held and registered in the names of the parties identified in the second column of the Schedule and whose names are respectively set opposite the names of such beneficial owners.

SCHEDULE

(1)	(2)	(3)	(4)
Name of beneficial owner	Name of holder	Number of Shares held or owned	Percentage of ownership in the Company
Amerdale Investments Limited	Amerdale Investments Limited	205,271,883	19.3047%
Lau Gek Poh	Global Range Investments Limited	45,414,000	4.2709%
Lau Gek Poh	Ondori Enterprises Limited	45,053,000	4.2370%
Lau Gek Poh	Unicorn International Holdings Limited	44,827,000	4.2157%
Lau Gek Poh	Bolker Investments Limited	46,861,199	4.4070%
Lau Gek Poh	Manningvale Limited	4,993,500	0.4696%
Lau Gek Poh	Elmsgate Limited	9,600,000	0.9028%
Lau Gek Poh	Long-Term Market Limited	32,328,977	3.0404%
Lau Gek Poh	Diwat Investments Ltd.	44,827,000	4.2157%
Lau Gek Poh	Ansoon Limited	44,826,000	4.2156%
Lau Gek Poh	Grand Haywood Limited	49,134,259	4.6208%
Lau Gek Poh	Weeluk Trading Limited	45,180,998	4.2490%
Lau Gek Poh	Onwick Profits Limited	44,826,000	4.2156%
Victon Investment Limited	Mayban Nominees (Hong Kong) Limited (<i>Note 1</i>)	156,855,174	14.7514%
	HKSCC Nominees Limited (<i>Note 2</i>)	78,427,587	7.3757%
Yaw Teck Seng	Yetime Nominees Limited	6,631,249	0.6236%
Starway Nominee Inc.	Starway Nominee Inc.	32,328,977	3.0404%
Ito Taikichi	HKSCC Nominees Limited (<i>Note 3</i>)	7,901,000	0.7430%

SCHEME OF ARRANGEMENT

(1)	(2)	(3)	(4)
Name of beneficial owner	Name of holder	Number of Shares held or owned	Percentage of ownership in the Company
Cheer Union Enterprise Limited	Cheer Union Enterprise Limited	12,000,000	1.1285%
Futron Limited	Futron Limited	5,000,000	0.4702%
Lei Sheng Company Limited	Lei Sheng Company Limited	2,476,964	0.2329%
Wellmix Enterprise Limited	Wellmix Enterprise Limited	2,003,322	0.1884%
Lau Yu Man	Wellmaxi Investment Limited	13,365	0.0013%
Tan Linar	Tan Linar	30,000	0.0028%
Lau Kwok Yeaw	Lau Kwok Yeaw	14,000	0.0013%
Lau Shu Ya Karin	Lau Shu Ya Karin	8,000	0.0008%
Pacific City Investments Ltd.	Pacific City Investments Ltd.	26,914,289	2.5311%
Lau Chor Lok	Beauty Year Limited	13,102,291	1.2322%
SCF Investment Limited	SCF Investment Limited	10,324,598	0.9710%
Lau Chor Lok	Lau Chor Lok	230,249	0.0217%
Hui Man Sheung	Hui Man Sheung	1,812	0.0002%
Lau Shun Fong	Lau Shun Fong	718,000	0.0675%
Lau Yu Hing	Lau Yu Hing	613,996	0.0577%
Lau Shun King Susanna	Lau Shun King Susanna	723,000	0.0680%
Lau Shun Wah	Lau Shun Wah	425,500	0.0400%
Lau Soong Cheng	Lau Soong Cheng	60,000	0.0056%
Total		1,019,947,189	95.9206%

Note 1: The 156,855,174 Shares have been charged by Victon Investment Limited in favour of Malayan Banking Berhad.

Note 2: The 78,427,587 Shares are held in the account of Bangkok Bank Public Company Limited under a share mortgage given by Victon Investment Limited in favour of Bangkok Bank Public Company Limited.

Note 3: The 7,901,000 Shares are held in the account of Bangkok Bank Public Company Limited under a share mortgage given by Ito Taikichi in favour of Bangkok Bank Public Company Limited.

(C) The beneficial owners of the Shares whose names are set forth in the first column of the Schedule to paragraph (B) of this Preliminary part have through the Offeror proposed to cancel all of the Scheme Shares by way of this Scheme of Arrangement in consideration of the payment to their holders of HK\$10.00 for every Scheme Share cancelled.

SCHEME OF ARRANGEMENT

- (D) The primary purpose of this Scheme of Arrangement is that the Company shall become wholly owned by the Offeror and the parties whose names are set forth in the first column of the Schedule to paragraph (B) of this Preliminary part and that the holders of the Scheme Shares shall cease to be shareholders of the Company.
- (E) As at the date of this Scheme of Arrangement, the Offeror does not beneficially own any Shares.
- (F) For the purpose of this Scheme of Arrangement, each of the beneficial owners identified in the first column of the Schedule to paragraph (B) of this Preliminary part has undertaken to the Company that in relation to the Shares in which he or she or it was beneficially interested as stated in the third column of the Schedule and respectively set opposite their names, each of such Shares would remain so beneficially interested and registered on the register of members of the Company until the date on which this Scheme of Arrangement had become effective or been withdrawn or lapsed.
- (G) Further, as at the date of this Scheme of Arrangement, Wellmix Enterprise Limited is a holder of 546,000 Shares beneficially owned by Wellmix Enterprise Limited and one of its directors, Chan Man Chit jointly. As Wellmix Enterprise Limited is also a holder and beneficial owner of 2,003,322 Shares as described in the Schedule to paragraph (B) of this Preliminary part, it is presumed under the Codes on Takeovers and Mergers in Hong Kong to be a party acting in concert with the Offeror and the parties identified in the Schedule. Accordingly, notwithstanding that the 546,000 Shares will form part of the Scheme Shares, both Wellmix Enterprise Limited and Chan Man Chit have jointly undertaken to the Company that in relation to the 546,000 Shares in which they were beneficially interested, they would remain so beneficially interested and registered on the register of members of the Company until the Scheme of Arrangement had become effective, been withdrawn or lapsed and that such Shares would neither be represented nor voted at the meeting convened by direction of the Court for the purpose of approving this Scheme of Arrangement.
- (H) Further, as at the date of this Scheme of Arrangement, Chan Man Chit is also the beneficial owner of 61,750 Shares as to 59,750 Shares of which are held and registered in his name and the remaining 2,000 Shares are held and registered in the name of HKSCC Nominees Limited. By virtue of his directorship in Wellmix Enterprise Limited, Chan Man Chit is presumed under the Code on Takeovers and Mergers to be a party acting in concert with Wellmix Enterprise Limited and the Offeror. Accordingly notwithstanding that the 61,750 Shares will form part of the Scheme Shares, Chan Man Chit has further undertaken to the Company that in relation to the 61,750 Shares in which he was beneficially interested, they would remain so beneficially interested and registered on the register of members of the Company until the Scheme of Arrangement had become effective, been withdrawn or lapsed and that such Shares would neither be represented nor voted at the meeting by direction of the Court for the purpose of approving the Scheme of Arrangement.

SCHEME OF ARRANGEMENT

- (I) Further, as at the date of this Scheme of Arrangement, each of Lau Kwok Kee and Lau Yu Ting is the holder of 200,000 Shares. As relatives of certain of the beneficial owners identified in the first column of the Schedule to paragraph (B) of this Preliminary Part, Lan Kwok Kee and Lau Yu Ting are presumed under the Codes on Takeovers and Merger to be parties acting in concert with the Offeror and such beneficial owners. Accordingly, notwithstanding the 200,000 Shares held by each of them will form part of the Scheme Shares, each of Lau Kwok Kee and Lau Yu Ting has undertaken to the Company that in relation to such Shares in which each of them was beneficially interested, they would remain so beneficially interested and registered on the register of members of the Company until the Scheme of Arrangement had become effective, been withdrawn or lapsed and that such Shares would neither be represented nor voted at the meeting convened by direction of the Court for the purpose of approving the Scheme of Arrangement.
- (J) Each of the Offeror, the beneficial owners of the Shares whose names are set forth in the first column of the Schedule to paragraph (B) of this Preliminary part, Wellmix Enterprise Limited, Chan Man Chit, Lau Kwok Kee and Lau Yu Ting has agreed to appear by Counsel at the hearing of the Petition to sanction this Scheme of Arrangement and to undertake to the Court to be bound thereby and to execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable to be executed or done by each of them respectively for the purpose of giving effect to this Scheme of Arrangement.

SCHEME OF ARRANGEMENT

THE SCHEME

PART I

Cancellation of the Scheme Shares

1. On the Effective Date:

- (a) the authorised and issued capital of the Company shall be reduced by cancelling and extinguishing the Scheme Shares;
- (b) subject to and forthwith upon such reduction of capital taking effect, the authorised capital of the Company shall be increased to its former amount of HK\$2,000,000,000 by the creation of such number of new Shares as is equal to the number of the Scheme Shares cancelled; and
- (c) the Company shall apply the credit arising in its books of account as a result of the reduction of its capital referred to in paragraph (a) of this Clause 1 in paying up in full at par the new Shares to be created as aforesaid, which new Shares shall be allotted and issued, credited as fully paid, to the Offeror.

PART II

Consideration for the cancellation of the Scheme Shares

2. In consideration of the cancellation and extinguishment of the Scheme Shares, the Offeror shall pay or cause to be paid to the holders of the Scheme Shares (as appearing on the register of members of the Company at the Record Time) the sum of HK\$10.00 in cash for every Scheme Share held.

PART III

General

3. (a) Not later than ten days after the Effective Date, the Offeror shall send or cause to be sent to the holders of the Scheme Shares (as appearing on the register of members of the Company at the Record Time) cheques in respect of the sums payable to such holders pursuant to Clause 2 of this Scheme of Arrangement.
- (b) Unless indicated otherwise in writing to Tricor Tengis Limited, the share registrar of the Company, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, all such cheques shall be sent through the post (by airmail, where appropriate) in pre-paid envelopes addressed to the persons entitled thereto in the following manner:
- (i) in the case of each sole holder of the Scheme Shares, to the registered address of such holder as appearing on the register of members of the Company at the Record Time; and

SCHEME OF ARRANGEMENT

- (ii) in the case of joint holders of the Scheme Shares, to the registered address of that one of the joint holders whose name then stands first on the register of members of the Company in respect of the relevant joint holding.
- (c) All such cheques shall be posted at the risk of the addressees and neither the Offeror nor the Company nor any of their officers or agents shall be responsible for any loss or delay whatsoever in the transmission of such cheques.
- (d) Each such cheque shall be payable to the order of the person to whom, in accordance with paragraph (b) of this Clause 3, the envelope containing the same is addressed, and the encashment of any such cheque shall be a good discharge to the Offeror for the monies represented thereby.
- (e)
 - (i) On or after the day falling six calendar months after the posting of the cheques pursuant to paragraph (b) of this Clause 3, the Offeror shall have the right to cancel or countermand payment of any such cheque which has not then been cashed or has been returned uncashed and shall place all monies represented by such cheques in a deposit account in the Company's name with a licensed bank in Hong Kong to be selected by the Company.
 - (ii) The Company shall hold such monies until the expiration of six years from the Effective Date and shall, prior to such date, make payments therefrom of the sums payable pursuant to Clause 2 of this Scheme of Arrangement to persons who satisfy the Company that they are respectively entitled to such sums and provided that the cheques referred to in paragraph (b) of this Clause 3 of which they are payees have not been cashed.
 - (iii) Any payments so made by the Company shall include any interest accrued on the sums to which the respective persons are entitled pursuant to Clause 2 of this Scheme of Arrangement, calculated at the annual rate prevailing from time to time at the licensed bank with which the monies are deposited, subject (where applicable) to deduction of any interest or withholding or any other tax or any other deduction required by law and all expenses and costs incurred in effecting the payment.
 - (iv) The Company shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled and a certificate of the Company to the effect that any particular person is so entitled or is not so entitled (as the case may be) shall be conclusive and binding upon all persons claiming an interest in the relevant monies.
- (f) Upon the expiry of six years from the Effective Date, the Offeror shall be released from any further obligation to make any payment under this Scheme of Arrangement and the Company shall thereafter transfer to the Offeror the balance (if any) of the sums standing to the credit of the deposit account referred to in paragraph (e) of this

SCHEME OF ARRANGEMENT

Clause 3, including accrued interest subject (where applicable) to the deduction of interest or withholding or any other tax or any other deduction required by law and subject to the deduction of any costs or expenses incurred in effecting the transfer.

- (g) The preceding paragraphs of this Clause 3 shall take effect subject to any prohibition or condition imposed by law.

4. With effect from the Effective Date:

- (a) all certificates representing the Scheme Shares shall cease to have effect as documents or evidence of title for such Scheme Shares and every holder of such certificates shall be bound, at the request of the Company, to deliver up such certificates to the Company or to any person appointed by the Company to receive the same for cancellation;
- (b) all instruments of transfer validly subsisting as at the Record Time in respect of the transfer of any number of the Scheme Shares shall, with effect from the Effective Date, cease to be valid for all purposes as instruments of transfer; and
- (c) all mandates or relevant instructions in force at the Record Time relating to any of the Scheme Shares shall cease to be valid and effective mandates or instructions.

5. This Scheme of Arrangement shall become effective as soon as an office copy of the Order of the Court sanctioning this Scheme of Arrangement under Section 166 of the Companies Ordinance, Chapter 32 of the Laws of Hong Kong, and confirming, under Section 61 of the same Ordinance, the reduction of capital provided for in this Scheme of Arrangement, together with a minute relating to the share capital of the Company and containing the particulars required by Section 61 of such Ordinance, shall have been duly registered by the Registrar of Companies.

6. Unless this Scheme of Arrangement shall have become effective on or before 30 June 2008 (or such later date as the Court may allow), this Scheme of Arrangement shall lapse.

7. The Offeror and the Company may jointly consent for and on behalf of all parties concerned to any modification of or addition to this Scheme of Arrangement or to any condition which may be approved or imposed by the Court.

8. All costs, charges and expenses of and incidental to this Scheme of Arrangement and of carrying this Scheme of Arrangement into effect shall be borne by the Offeror.

Dated the 29th day of January 2008

NOTICE OF COURT MEETING

HCMP NO. 84/08

**IN THE HIGH COURT OF
THE HONG KONG SPECIAL ADMINISTRATIVE REGION
COURT OF FIRST INSTANCE
MISCELLANEOUS PROCEEDINGS NO. 84 OF 2008**

**In the Matter
of
LEI SHING HONG LIMITED
利星行有限公司
and
In the Matter
of
the COMPANIES ORDINANCE,
Chapter 32 of the Laws of the Hong Kong Special Administrative Region**

NOTICE OF COURT MEETING

NOTICE IS HEREBY GIVEN that, by an Order dated 24 January 2008 made in the above matters, the Court has directed a Meeting to be convened of the holders of the ordinary shares of HK\$1.00 each in the capital of Lei Shing Hong Limited 利星行有限公司 other than those of such shares held and registered in the names of the parties set forth in the first column of the Schedule hereto for the purpose of considering and, if thought fit, approving (with or without modification) a Scheme of Arrangement proposed to be made between the Company and the aforementioned holders of the ordinary shares of HK\$1.00 each and that the Meeting will be held at Level 3, JW Marriott Ballroom, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Monday, 25 February 2008, at 10:00 a.m. at which place and time all such holders of the ordinary shares of HK\$1.00 each in the capital of the Company are requested to attend.

A copy of the Scheme of Arrangement and a copy of an Explanatory Statement required to be furnished pursuant to Section 166A of the above-mentioned Ordinance are incorporated in the composite document of which this Notice forms part.

The above-mentioned holders of the ordinary shares of HK\$1.00 each in the capital of the Company may vote in person at the Meeting or they may appoint one or more proxies, whether a member of the Company or not, as their proxy to attend and vote in their stead. A pink form of proxy for use at the Meeting is enclosed herewith.

NOTICE OF COURT MEETING

It is requested that forms appointing proxies be lodged with the Company at its registered office at 8th Floor, New World Tower I, 18 Queen's Road Central, Hong Kong not less than 48 hours before the time appointed for the Meeting, but if forms are not so lodged they may be handed to the Chairman of the Meeting at the Meeting.

In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and, for this purpose, seniority will be determined by the order in which the names stand on the register of members of the Company in respect of the relevant joint holding.

For the purpose of determining the entitlement to attend and vote at the Meeting, all properly executed instruments of transfer, together with the relevant share certificates, must be lodged by the transferee with the share registrar of the Company, Tricor Tengis Limited, at its office at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no later than 4:00 p.m. on Wednesday, 20 February 2008.

By the same Order the Court has appointed Fung Ka Pun or, failing him, Hubert Meier or, failing him, Alan Howard Smith to act as the Chairman of the Meeting and has directed the Chairman to report the result thereof to the Court.

The Scheme of Arrangement will be subject to the subsequent approval of the Court.

SCHEDULE

(1) Name of registered holder	(2) Number of shares held or owned
1. Amerdale Investments Limited	205,271,883
2. Global Range Investments Limited	45,414,000
3. Ondori Enterprises Limited	45,053,000
4. Unicorn International Holdings Limited	44,827,000
5. Bolker Investments Limited	46,861,199
6. Manningvale Limited	4,993,500
7. Elmsgate Limited	9,600,000
8. Long-Term Market Limited	32,328,977
9. Diwat Investments Ltd.	44,827,000
10. Ansoon Limited	44,826,000
11. Grand Haywood Limited	49,134,259
12. Weeluk Trading Limited	45,180,998
13. Onwick Profits Limited	44,826,000
14. Mayban Nominees (Hong Kong) Limited	156,855,174
15. HKSCC Nominees Limited (<i>Note 1</i>)	78,427,587
16. Yetime Nominees Limited	6,631,249
17. Starway Nominee Inc.	32,328,977
18. HKSCC Nominees Limited (<i>Note 2</i>)	7,901,000

NOTICE OF COURT MEETING

(1) Name of registered holder	(2) Number of shares held or owned
19. Cheer Union Enterprise Limited	12,000,000
20. Futron Limited	5,000,000
21. Lei Sheng Company Limited	2,476,964
22. Wellmix Enterprise Limited	2,003,322
23. Wellmaxi Investment Limited	13,365
24. Tan Linar	30,000
25. Lau Kwok Yeaw	14,000
26. Lau Shu Ya Karin	8,000
27. Pacific City Investments Ltd.	26,914,289
28. Beauty Year Limited	13,102,291
29. SCF Investment Limited	10,324,598
30. Lau Chor Lok	230,249
31. Hui Man Sheung	1,812
32. Lau Shun Fong	718,000
33. Lau Yu Hing	613,996
34. Lau Shun King Susanna	723,000
35. Lau Shun Wah	425,500
36. Lau Soong Cheng	60,000

Note 1: The 78,427,587 Shares are held in the account of Bangkok Bank Public Company Limited.

Note 2: The 7,901,000 Shares are held in the account of Bangkok Bank Public Company Limited.

Dated 29 January 2008.

Richards Butler

20th Floor

Alexandra House

16-20 Chater Road

Central, Hong Kong

Solicitors for Lei Shing Hong Limited



LEI SHING HONG LIMITED

利星行有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 238)

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Lei Shing Hong Limited (the “Company”) will be held at Level 3, JW Marriott Ballroom, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Monday, 25 February 2008 at 11:00 a.m. (or so soon thereafter as the Meeting of certain holders of the ordinary shares of HK\$1.00 each in the capital of the Company convened for the same place and date shall have been concluded or adjourned) for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as a Special Resolution:

SPECIAL RESOLUTION

“THAT:

- (A) the Scheme of Arrangement dated 29 January 2008 between the Company and the holders of the Scheme Shares (as defined in the Scheme of Arrangement) which has been produced to this Meeting and for the purposes of identification, signed by the Chairman of this Meeting, with any modification thereof or addition thereto or conditions approved or imposed by the High Court of the Hong Kong Special Administrative Region, be and is hereby approved;
- (B) for the purposes of giving effect to the Scheme of Arrangement, on the Effective Date (as defined in the Scheme of Arrangement):
 - (i) the authorised and issued capital of the Company be reduced by cancelling and extinguishing the Scheme Shares;
 - (ii) subject to and forthwith upon such reduction of capital taking effect, the authorised capital of the Company be increased to its former amount of HK\$2,000,000,000 by the creation of such number of new ordinary shares of HK\$1.00 each in the capital of the Company as is equal to the number of the Scheme Shares cancelled; and
 - (iii) the Company shall apply the credit arising in its books of account as a result of the reduction of capital in paying up in full at par such number of new ordinary shares of HK\$1.00 each in the capital of the Company to be created as aforesaid, which new shares shall be allotted and issued, credited as fully paid, to Best Star Group Limited;

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (C) subject to the Scheme of Arrangement taking effect, the directors of the Company be and are hereby authorised to apply to The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) for the immediate withdrawal of the listing of the Company’s shares on the Stock Exchange; and
- (D) the Directors of the Company be and are hereby unconditionally authorised to do all other acts and things as considered by them to be necessary or desirable in connection with the implementation of the Scheme of Arrangement, including (without limitation) the giving of consent to any modifications of, or additions to, the Scheme of Arrangement, which the High Court of the Hong Kong Special Administrative Region may see fit to impose and to do all other acts and things as considered by them to be necessary or desirable in connection with the implementation of the Scheme of Arrangement and in relation to the Proposal (as defined in the composite document sent to the shareholders of the Company dated 29 January 2008 of which the Notice convening this Meeting forms part).”

By order of the Board
LEI SHING HONG LIMITED
Lim Mooi Ying, Marianne
Company Secretary

Hong Kong, 29 January 2008

Registered Office:

8th Floor, New World Tower I
18 Queen’s Road Central
Hong Kong

Notes:

1. A white form of proxy for use at the Meeting is enclosed with this Notice.
2. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company.
3. In order to be valid, the white form of proxy, together with the power of attorney or other authority (if any) under which it is signed or notarially certified copy of such power of attorney or authority, must be deposited at the registered office of the Company at 8th Floor, New World Tower I, 18 Queen’s Road Central, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.
4. Completion and return of the white form of proxy shall not preclude a member from attending and voting in person at the Meeting if he so wishes and, in such event, the relevant form of proxy shall be deemed to have been revoked.
5. Where there are joint holders of any share in the Company, any one of such joint holders may vote at the Meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders are present at the Meeting personally or by proxy, that one of the joint holders whose name stands first on the register of members in respect of the shares shall alone be entitled to vote in respect of the relevant joint holding.