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**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Zhong Hua International Holdings Limited, you should hand this circular at once to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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**ZHONG HUA INTERNATIONAL HOLDINGS LIMITED**

**中華國際控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

**MAJOR TRANSACTION  
and  
DISCLOSEABLE TRANSACTION**

**Proposed disposal of 51% equity interest of Ample Dragon Limited  
and  
Proposed acquisition of Consideration Units**

**Financial Adviser to Zhong Hua International Holdings Limited**



**Hooray Capital Limited**

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A notice convening a special general meeting of Zhong Hua International Holdings Limited to be held at suites 3302–3304, 33rd floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong on Monday, 30th December, 2002 at 11:00 a.m. is set out on pages 66 to 67 of this circular. A form of proxy for use at the meeting is enclosed. Whether or not you intend to attend the meeting, you are requested to complete the accompanying form of proxy and return it in accordance with the instructions printed thereon as soon as possible to Zhong Hua International Holdings Limited's branch share register in Hong Kong, Tengis Limited at 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong and in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so wish.

\* For identification purposes only

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## DEFINITIONS

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*In this circular, the following expressions have the meanings set out below unless the context requires otherwise:*

“Acquisition”	the acceptance of the Consideration Units by China Land as part of the Consideration
“Agreement”	the conditional sale and purchase agreement dated 25th October, 2002 entered into between China Land and the Purchaser relating to the Asset Disposal
“Ample Dragon”	Ample Dragon Limited, a company with limited liability incorporated in the British Virgin Islands and a 51% owned subsidiary of the Company before Completion
“Ample Dragon Group”	Ample Dragon and its subsidiaries
“Ample Dragon Shareholders Agreement”	the shareholders agreement dated 29th June, 2001 made between the Vendor, Empower and Ample Dragon regarding the rights and obligations of the Vendor and Empower as shareholders of Ample Dragon
“Asset Disposal”	the disposal by China Land of 51% equity interest of Ample Dragon to the Purchaser pursuant to the Agreement
“associate”	having the meaning ascribed thereto under the Listing Rules
“Average Valuation”	the total valuation of a particular phase of GZ Property Project (as determined by the Valuer) divided by the total gross floor area of that particular phase of GZ Property Project
“Board”	the board of Directors
“Business Day”	any day (other than a Saturday) on which banks in Hong Kong are generally open for business
“China Land” or “Vendor”	China Land Realty Investment (BVI) Limited, a company with limited liability incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company, being vendor to the Agreement
“Clubhouse”	a residential clubhouse located within Phase II Development. Pursuant to the valuation report prepared by the Valuer at the date of valuation as at 30th September, 2002 as set out in Appendix II to this circular, it is valued at HK\$9.1 million

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## DEFINITIONS

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“Commercial Podium”	a commercial podium located within Phase I Development. Pursuant to the valuation report prepared by the Valuer at the date of valuation as at 30th September, 2002 as set out in Appendix II to this circular, it is valued at HK\$173 million
“Company”	Zhong Hua International Holdings Limited, a company incorporated in Bermuda with limited liability, the securities of which are listed on the Stock Exchange
“Completion”	completion of the sale and purchase of the Sale Shares pursuant to the terms and subject to the conditions of the Agreement
“Completion Date”	the date of Completion
“Completed Units”	include both completed residential units and car parking spaces
“Consents”	includes any licence, consent, approval, authorisation, permission, waiver, order, confirmation or exemption issued by and/or obtained from the relevant government departments in the PRC and/or Hong Kong including but not limited to the Stock Exchange and/or elsewhere
“Consideration”	the consideration for the sale and purchase of the Sale Shares, being HK\$350 million, of which comprises HK\$120 million in cash and the Consideration Units
“Consideration Units”	a total gross floor area of 23,000 square metres of Completed Units of Phase IV Development subject to adjustment (if any) in accordance with the terms of the Agreement, which has an estimated value of no less than HK\$230 million
“Deed of Confirmation”	the deed of confirmation to be executed by GZ Dongxun pursuant to the Agreement confirming its obligations thereunder
“Director(s)”	the director(s) of the Company
“Empower”	Empower Assets Limited, a company with limited liability incorporated in the British Virgin Islands
“Fourth Instalment Substitution Units”	a total gross floor area of 6,849 square metres of Completed Units of Phase III Development subject to adjustment (if any) in accordance with the terms of the Agreement

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## DEFINITIONS

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“Group”	the Company and its subsidiaries
“GZ Dongxun”	Guangzhou Dongxun Real Estate Development Company Limited (廣州市東迅房地產發展有限公司), a limited company established under the PRC laws as a sino foreign cooperative joint venture enterprise
“GZ Property Project”	means the property development project known as Guangzhou Hai Zhu Peninsula Garden (廣州海珠半島花園) involving the construction and management of composite residential buildings, club house and commercial podiums constructed or to be constructed on and to form part of the Land. GZ Property Project comprises the Commercial Podium, the Clubhouse and four residential phases and the terms “Phase I Development”, “Phase II Development”, “Phase III Development” and “Phase IV Development” shall have the same meanings as defined hereto
“HK\$”	Hong Kong dollar(s), the lawful currency in Hong Kong
“HK Dongxum”	Dongxum Real Estate Development Company Limited, a limited company incorporated in Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Land”	Lot Nos. 543, 545, 547 and 549 of Bin Jiang Dong Road, Guangzhou, the PRC, the registered owner of which is GZ Dongxun
“Latest Valuation Report”	shall have the following meanings:  <ol style="list-style-type: none"><li>(1) in so far as determination of Third Instalment Substitution Units is concerned, shall be the valuation report prepared by the Valuer as at 30th April, 2003;</li><li>(2) in so far as determination of the Fourth Instalment Substitution Units is concerned, it shall be the valuation report prepared by the Valuer as at 31st December, 2003; and</li><li>(3) in so far as determination of the Consideration Units is concerned, it shall be the valuation report prepared by the Valuer as at a date no more than 3 months before the Balance Payment Date</li></ol>

The Purchaser will bear for the cost of all Latest Valuation Report

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## DEFINITIONS

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“Latest Practicable Date”	12th December, 2002, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in the circular
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Option Deed”	the option deed to be entered into between China Land and the Purchaser at Completion, pursuant to which the Purchaser shall grant to China Land or its nominee(s)/designate(s) the option to purchase the Option Shares/Sale Shares within the Option Period and subject to the terms therein
“Option Period”	a period commencing from 31st July, 2003 until expiration of 12 (twelve) calendar months after the Balance Payment Date
“Phase I Development”	Phase I development of GZ Property Project which comprises three residential buildings and underground private car-parking spaces. The construction of Phase I Development has been completed. Pursuant to the valuation report prepared by the Valuer at the date of valuation as at 30th September, 2002 as set out in Appendix II to this circular, it is valued at HK\$49.7 million
“Phase II Development”	Phase II development of GZ Property Project which comprises three residential buildings and underground private car-parking spaces. The construction of Phase II Development has been completed. Pursuant to the valuation report prepared by the Valuer at the date of valuation as at 30th September, 2002 as set out in Appendix II to this circular, it is valued at HK\$67.1 million
“Phase III Development”	Phase III development of GZ Property Project which comprises 531 residential units and 750 underground private car-parking spaces. As at the Latest Practicable Date, Phase III Development is still under construction. Pursuant to the valuation report prepared by the Valuer at the date of valuation as at 30th September, 2002 as set out in Appendix II to this circular, it is valued at HK\$397 million
“Phase IV Development”	Phase IV development of GZ Property Project which will comprise three residential buildings and underground private car-parking spaces. As at the Latest Practicable Date, the site for Phase IV Development is vacant. Pursuant to the valuation report prepared by the Valuer at the date of valuation as at 30th September, 2002 as set out in Appendix II to this circular, it is valued at HK\$100 million

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## DEFINITIONS

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“Powerex”	Powerex Investment Limited, a limited company incorporated under the laws of Hong Kong
“PRC”	the People’s Republic of China
“Purchaser”	Guangdong Properties Investment Ltd., a company incorporated in the British Virgin Islands with limited liability which is and together with its ultimate beneficial owner are independent of and not connected to the Directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or their respective associates
“RMB”	Renminbi, the lawful currency in the PRC
“Sale Shares” or “Option Shares”	153 shares in Ample Dragon, which are held by China Land before Completion
“SDI Ordinance”	The Securities (Disclosure of Interests) Ordinance (Chapter 396 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be held on Monday, 30th December, 2002, notice of which is set out on pages 66 to 67 of this circular
“Shares”	share(s) of HK\$0.02 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Third Instalment Substitution Units”	a total gross floor area of 6,849 square metres of Completed Units of Phase III Development subject to adjustment (if any) in accordance with the terms of the Agreement
“Valuer”	Chesterton Petty Ltd.
“Wider Choice”	Wider Choice Investments Limited, a company with limited liability incorporated in the British Virgin Islands
“%”	per cent

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## EXPECTED TIMETABLE

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2002

Latest time for lodging the forms  
of proxy for the SGM ..... 4:00 p.m. on Friday, 27th December

SGM ..... 11:00 a.m. on Monday, 30th December

Announcement of results of the SGM  
to appear in newspapers ..... on Tuesday, 31st December

Expected Completion Date (*Note*) ..... on or about Tuesday, 31st December

*Note:* If any of the conditions set out in the Agreement are not fulfilled or, if applicable, not waived, by 22nd January, 2003, or such other date as the parties to the Agreement may agree in writing, Completion will not take place.



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LETTER FROM THE BOARD

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**ZHONG HUA INTERNATIONAL HOLDINGS LIMITED**

**中華國際控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

*Executive Directors:*

HO Tsam Hung (*Chairman*)  
HO Pak Hung (*Deputy Chairman*)  
HO Kam Hung (*Managing Director*)

*Non-Executive Directors:*

CHAN Chiu Kwok, Charles<sup>#</sup>  
ZHANG Jie<sup>#</sup>

<sup>#</sup> *Independent non-executive directors*

*Registered office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Head Office and Principal place  
of business in Hong Kong:*

Suites 3302-04, 33rd Floor  
One International Finance Centre  
1 Harbour View Street  
Central  
Hong Kong

13th December, 2002

*To the Shareholders*

Dear Sir or Madam,

**MAJOR TRANSACTION  
and  
DISCLOSEABLE TRANSACTION**

**Proposed disposal of 51% equity interest of Ample Dragon Limited  
and  
Proposed acquisition of Consideration Units**

**INTRODUCTION**

On 25th October, 2002, China Land entered into the Agreement with the Purchaser in relation to the disposal of the Sale Shares, being 153 shares of Ample Dragon held by China Land, representing 51% of the issued share capital of Ample Dragon, for a consideration of HK\$350 million.

\* *For identification purposes only*

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## LETTER FROM THE BOARD

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The Asset Disposal constitutes a major transaction for the Company under the Listing Rules and is subject to approval by the Company's shareholders at the SGM. The Acquisition constitutes a discloseable transaction for the Company under the Listing Rules.

The purpose of this circular is to give you further information on the Asset Disposal and the Acquisition and to provide you with a notice of SGM at which resolutions will be proposed for the purpose of approving the Asset Disposal.

### THE AGREEMENT

#### Date

25th October, 2002

#### Parties

Vendor : China Land, a wholly-owned subsidiary of the Company

Purchaser : The Purchaser

The Purchaser and its beneficial owner is independent of and not connected with the Company, the directors, chief executives or substantial shareholders of the Company or any of its subsidiaries or their respective associates

The Purchaser is a private company engaged in investment holding.

#### The Asset Disposal

As at the Latest Practicable Date, Ample Dragon has 300 shares of US\$1.00 each in issue, out of which 153 shares are held by China Land and 147 shares are held by Empower.

Pursuant to the Agreement, China Land has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares, being the 153 shares in Ample Dragon held by China Land. The Sale Shares represent 51% of the entire issued share capital of Ample Dragon and shall be acquired by the Purchaser at Completion.

Upon Completion, China Land will cease to own any shares or have any interest in Ample Dragon.

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## LETTER FROM THE BOARD

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### Consideration and payment terms

The Consideration is payable by the Purchaser to China Land according to the following scheme:

- HK\$5 million by cash (“**Initial Deposit**”) was paid by the Purchaser to China Land upon signing of the Agreement;
- HK\$15 million by cash (“**Further Deposit**”) is payable by the Purchaser to China Land on the Completion Date;
- HK\$50 million by cash (“**Third Instalment**”) is payable by the Purchaser to China Land on or before 31st July, 2003;
- HK\$50 million by cash (“**Fourth Instalment**”) by the Purchaser to China Land on or before 31st March, 2004; and
- the balance of HK\$230 million (“**Balance Consideration**”) by GZ Dongxun delivering vacant possession and assigning to China Land and/or its nominees the Consideration Units on or before a date falling on the first day immediately after expiration of the thirtieth month after the Completion Date (“**Balance Payment Date**”).

The Acquisition is being the acceptance of the Consideration Units by China Land as part of the Consideration. Pursuant to the deed of property development (“Deed”) to be executed by GZ Dongxun, HK Dongxun, Ample Dragon, Empower and the Purchaser, the abovementioned parties will confirm that the Purchaser shall enjoy a first priority to identify the Consideration Units from the saleable area of Phase IV Development and that the Purchaser shall confer such priority right to China Land in accordance with the terms of the Deed.

Subject to the absolute discretion of China Land, the Purchaser may satisfy the Third Instalment and/or the Fourth Instalment by delivering vacant possession and assigning respectively the Third Instalment Substitution Units and/or the Fourth Instalment Substitution Units to China Land and/or its nominees in accordance with the terms of the Agreement. In the event that the Company elects to accept the Third Instalment Substitution Units and/or the Fourth Instalment Substitution Units for settlement of respectively the Third Instalment and/or the Fourth Instalment, the Company will comply with the Listing Rules and make proper disclosure, if required. Currently, the Group has no intention to accept the Third Instalment Substitution Units and/or the Fourth Instalment Substitution Units for settlement of respectively the Third Instalment and/or the Fourth Instalment.

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## LETTER FROM THE BOARD

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Under the Agreement, there is no commitment on change of board composition of the Company and its subsidiaries (other than the Ample Dragon Group) after Completion. In respect of Ample Dragon Group, the Purchaser undertakes that for the period after Completion and until the Consideration has been fully paid (unless prior written consent from China Land shall have been obtained):

- (a) all the three existing directors of GZ Dongxun who were appointed by China Land shall remain unchanged and the Purchaser shall not be entitled to appoint any directors to GZ Dongxun; and
- (b) China Land has the right to appoint its nominees as directors of other members of Ample Dragon Group constituting not more than one-third of their respective boards of directors.

Phase IV Development is expected to be completed and be in move in condition in 2005. The Directors have confirmed that it is legal to enter into the Agreement now providing for terms and conditions for the Acquisition.

### **Protection adjustment mechanism**

In the event that the Vendor accepts the assignment of the Third Instalment Substitution Units and/or the Fourth Instalment Substitution Units as settlement of respectively the Third Instalment and/or the Fourth Instalment, the Purchaser shall produce to the Vendor the Latest Valuation Report and the Third Instalment Substitution Units and/or the Fourth Instalment Substitution Units shall respectively be subject to the following adjustment:

- (a) In the event the Average Valuation of Phase III Development as set out in the Latest Valuation Report shall be less than HK\$7,300 per square metre, the Third Instalment Substitution Units shall be calculated as follows:

$$\frac{\text{HK\$50,000,000}}{\text{AV}}$$

$$\text{Where AV} = \frac{\text{Total valuation of Phase III Development as stated in the Latest Valuation Report}}{\text{Total Gross Floor Area of Phase III Development}}$$

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## LETTER FROM THE BOARD

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- (b) In the event the Average Valuation of Phase III Development as set out in the Latest Valuation Report shall be less than HK\$7,300 per square metre, the Fourth Instalment Substitution Units which shall be calculated as follows:

$$\frac{\text{HK\$50,000,000}}{\text{AV}}$$

$$\text{Where AV} = \frac{\text{Total valuation of Phase III Development as stated in the Latest Valuation Report}}{\text{Total Gross Floor Area of Phase III Development}}$$

The Consideration Units shall be subject to the following adjustment:

- (a) In the event the Average Valuation of Phase IV Development as set out in the Latest Valuation Report shall be less than HK\$10,000 per square metre, the Consideration Units shall be calculated as follows:

$$\frac{\text{HK\$230,000,000}}{\text{AV}}$$

$$\text{Where AV} = \frac{\text{Total valuation of Phase IV Development as stated in the Latest Valuation Report}}{\text{Total Gross Floor Area of Phase IV Development}}$$

In the event that Average Valuation of Phase III Development and Phase IV Development as set out in the Latest Valuation Report is more than HK\$7,300 and HK\$10,000 per square metre, respectively, there will be no changes made to the Third Instalment Substitution Units, Fourth Instalment Substitution Units or Consideration Units, as the case may be.

Your attention is also drawn to the valuation report prepared by the Valuer which is reproduced in the Appendix II of this circular. Pursuant to which Phase III Development and Phase IV Development is valued at HK\$397 million and HK\$100 million respectively.

### **Default in payment**

Without prejudice to any other rights or remedies of China Land, if the Purchaser shall fail to satisfy payment of the Third Instalment or the Fourth Instalment or the Balance Consideration on or before respectively 31st July, 2003, 31st March, 2004 and the Balance Payment Date,

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## LETTER FROM THE BOARD

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- (A) China Land shall forthwith be entitled to forfeit the following sums paid by the Purchaser:
- (a) in respect of the Third Instalment, the Initial Deposit and the Further Deposit;
  - (b) in respect of the Fourth Instalment, the Initial Deposit, the Further Deposit and the Third Instalment; and
  - (c) in respect of the Balance Consideration, the Initial Deposit, the Further Deposit, the Third Instalment and the Fourth Instalment;
- and
- (B) China Land shall, be entitled (but not be obliged) to exercise the option to purchase the Option Shares/Sale Shares from the Purchaser at the price of HK\$1.00 within the Option Period in accordance with the terms of the Option Deed.

As the Purchaser is obliged to satisfy the Balance Consideration by the Consideration Units, if the Consideration Units are not yet completed by the Balance Payment Date, the Purchaser will be in default of payment of the Balance Consideration and China Land will be entitled to the aforesaid remedies for such default.

### **Basis of the Consideration**

The Consideration was determined through arm's length negotiations having regard to 51% of the unaudited consolidated net asset value of the Ample Dragon Group as at 31st December, 2001 of approximately HK\$335 million.

For reference purposes, the Consideration represents a premium of approximately 4% to China Land's share of 51% of the consolidated net asset value of Ample Dragon Group as at 31st December, 2001 and a discount of approximately 14% to the Group's 51% interests in the value of the property interests of the Ample Dragon Group based on the valuation report included in Appendix II of this circular. Therefore, the Directors are of the opinion that the Consideration is fair and reasonable.

### **Conditions Precedent of the Agreement**

Completion of the Asset Disposal is conditional upon fulfillment of the following conditions:

- (A) where applicable, the approval of the shareholders of the Company (excluding those shareholders required by the Listing Rules to abstain from voting on the relevant resolution(s)) being obtained in accordance with the provisions of the Listing Rules of the transaction envisaged by the performance of the obligations pursuant to the Agreement;

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## LETTER FROM THE BOARD

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- (B) the Company's independent shareholders, if applicable, having approved the transactions contemplated under the Agreement at a special general meeting of the Company;
- (C) all Consents, (if any) which are required for the entering into and/or the performance of obligations under the Agreement by the parties having been obtained, including, without limitation, the Consents (if required) of the Company's shareholders, the Stock Exchange and such Consents (if any) remaining in full force and effect and there being no statement, notification to revoke or not to renew the same having been received/obtained;
- (D) clearance of all applicable disclosure and approval requirements under the Listing Rules in relation to China Land's entering into and/or performance of obligations under the Agreement having been obtained;
- (E) waiver of any pre-emptive rights and the granting of any necessary consent from existing shareholder(s) of Ample Dragon having been obtained;
- (F) the Purchaser's execution of the deed of adherence (which is specified in the Ample Dragon Shareholders Agreement) with Empower pursuant to which the Purchaser shall be bound by all the provisions of the Ample Dragon Shareholders Agreement;
- (G) China Land being satisfied with the legal opinion issued by a qualified PRC counsel confirming the validity and enforceability of the Deed of Confirmation having been satisfied. The costs for obtaining the said legal opinion shall be borne by the Purchaser;
- (H) execution of a deed of property development by GZ Dongxun, HK Dongxun, Ample Dragon, Empower and the Purchaser pursuant to which the parties confirm that Empower and the Purchaser as ultimate shareholders of the Ample Dragon Group shall respectively be entitled to 49% and 51% of the saleable floor area of Phase IV Development and that the Purchaser shall enjoy a first priority to select its share of the said saleable floor area; and
- (I) the representations and warranties made by China Land set out in the Agreement remaining true and accurate in all material respects.

The Purchaser may, in its sole discretion, waive in whole or in part, any of conditions precedent (E) and (I) above or extend the period during which such conditions is to be satisfied. The relevant waiver and consent under condition precedent (E) has been obtained on 6th November, 2002.

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## LETTER FROM THE BOARD

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In the event that any of the above conditions has not been fulfilled (or waived by the Purchaser) within 60 Business Days after the date of the Agreement (or such other date as the parties to the Agreement may agree in writing), the Agreement shall lapse and terminate and thereafter all rights, obligations and liabilities of all parties hereunder shall cease and terminate and no party shall have any claim against the others under the Agreement except for any antecedent breach and except that China Land shall refund the Initial Deposit to the Purchaser.

### **Completion**

Completion will take place on the third Business Day after satisfaction of the conditions precedent set out above (or such other date as China Land and the Purchaser may agree).

The Acquisition is subject to the Completion having taken place.

### **INFORMATION ON AMPLE DRAGON**

Ample Dragon is an investment holding company whose subsidiaries are principally engaged in property development, holding, management and marketing. The wholly-owned subsidiaries of Ample Dragon include:

- (a) HK Dongxun is beneficially entitled to the entire profits, assets and liabilities generated by GZ Dongxun, which is a private limited company established under the PRC laws as a sino foreign cooperative joint venture enterprise. Pursuant to its business license (企作粵穗總字第002670號), GZ Dongxun is permitted to develop, construct, sell, lease and manage property projects constructed by GZ Dongxun at/on the Land. Since its incorporation, GZ Dongxun has been undertaking the GZ Property Project involving the construction and management of composite residential buildings, clubhouse and commercial podiums constructed or to be constructed on and to form part of the Land;
- (b) Powerex, engaging in the activity of selling and investment of the Commercial Podium; and
- (c) Wider Choice, engaging in the activity of selling of properties of the GZ Property Project in the PRC.

Powerex and Wider Choice has entered into an “Underwriting Agreement” with GZ Dongxun that they underwrote to sell respectively the Commercial Podium units and residential units. Such arrangement has no impact on the legal and beneficial ownership of the Land and the Commercial Podium.



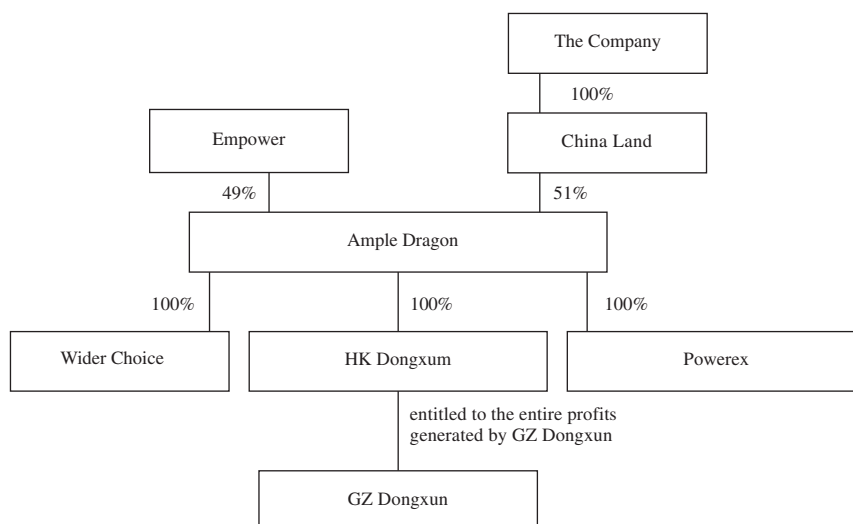
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## LETTER FROM THE BOARD

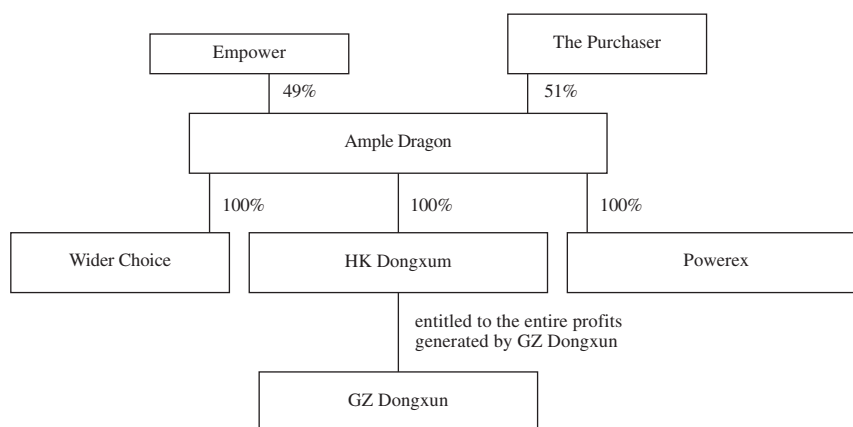
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The following charts illustrate the shareholding structure of Ample Dragon before and after Completion.

### Prior to Completion



### After Completion



Ample Dragon is entitled to the entire profits generated by GZ Dongxun. The GZ Property Project contains 4 phases of residential units and car parking spaces, the Commercial Podium and the Clubhouse. Phase I Development and Phase II Development of the GZ Property Project has been completed and some of the residential units and car parking spaces of Phase I Development and Phase II Development were sold to the public. The construction of the superstructure of Phase III Development was completed in late 2001 and it is expected that the residential units of Phase III Development will be available in move-in condition in the end of 2002. Over 55% of the residential units of Phase III Development have been pre-sold as at 30th June, 2002. The construction of Phase IV Development has not commenced. The value of the property interests held by Ample Dragon Group is approximately HK\$796 million in accordance with the valuation report set out in Appendix II of this circular. Therefore, the Group's 51% interest in such value is approximately HK\$406 million.

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## LETTER FROM THE BOARD

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The JV Partners of GZ Dongxun are Guangzhou Sport Development Company (“Sport Company”), Guangzhou Yuexiu Real Estate Development Company (“Yuexiu Company”) and HK Dongxun. All the rights and liabilities of Sport Company and Yuexiu Company have been settled except for approximately HK\$5 million payable by the Group to Sport Company. The said liability will be transferred to the Purchaser upon Completion. Sport Company and Yuexiu Company and their beneficial owners are independent of and not connected with the Company, the directors, chief executives or substantial shareholders of the Company or any of its subsidiaries or their respective associates

The pro forma unaudited consolidated net profit of Ample Dragon Group before and after tax for the year ended 31st December, 2000, as extracted from the audited financial statements of the Group, was approximately HK\$268,701,000 and HK\$258,947,000 respectively, which included profit of inter-group transactions of approximately HK\$258,401,000 with other companies within the Group and the balance was retained in the subsidiaries of Ample Dragon Group. There was no effect to the consolidated net profit of the Company for the year ended 31st December, 2000.

The unaudited consolidated net profit of Ample Dragon Group before and after tax for the year ended 31st December, 2001, as extracted from the audited financial statements of the Group, were approximately HK\$51,106,000 and HK\$36,885,000 respectively, which also included the waiver of a balance of approximately HK\$14,133,000 due to a former jointly-controlled entity of the Group as a result of the disposal of the former jointly-controlled entity by the Group. There was no effect to the consolidated net profit of the Company for the year ended 31st December, 2001.

The pro forma unaudited consolidated net tangible asset value of Ample Dragon Group, as extracted from the audited financial statements of the Group, was approximately HK\$620 million as at 31st December, 2000 and the unaudited consolidated net tangible asset value of Ample Dragon Group, as extracted from the audited financial statements of the Group, was approximately HK\$657 million as at 31st December, 2001. Currently the Group has 51% equity interest in Ample Dragon.

The above mentioned financial information has been prepared in accordance with the accounting principles generally accepted in Hong Kong. Because Ample Dragon was not incorporated by 31st December, 2000, the financial information for the year ended 31st December, 2000 stated above is pro forma information. Included in the Ample Dragon Group, audited financial statements for the years ended 31st December 2001 and 2000 have been prepared for HK Dongxun and Powerex in accordance with the accounting principles generally accepted in Hong Kong; and audited financial statements for the years ended 31st December 2001 and 2000 have been prepared for GZ Dongxun in accordance with the accounting principles generally accepted in the PRC.

The revenue generated on the sale of the properties in the GZ Property Project recorded in Powerex and Wider Choice is eliminated in the level of Ample Dragon Group. Therefore, the above mentioned financial information is more informative and meaningful than that of individual companies within Ample Dragon Group.

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## LETTER FROM THE BOARD

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### INFORMATION ON CONSIDERATION UNITS

The Consideration Units comprise Completed Units of Phase IV Development, which the construction has not commenced. Pursuant to the Agreement, the Purchaser is required to construct Phase IV Development according to a specific development plan. Currently, Phase III Development is pre-selling and the average transaction price of Phase III Development is approximately at HK\$10,000 per square metre. Based on the protection adjustment mechanism stated herein and the currently average transaction price of Phase III Development, the estimated value of the Consideration Units is not less than HK\$230 million.

Phase IV Development is expected to be completed and be in move in condition in 2005.

### REASONS FOR ENTERING INTO THE AGREEMENT

Having considered the expected substantial amount of capital expenditure for the continual operation of the business of Ample Dragon Group, which mainly comprises the construction cost of Phase IV Development which amounts to approximately HK\$340 million, the Directors believe that it is at the best interest of the Group to enter into the Agreement in respect of the Asset Disposal. The Asset Disposal would allow the Group to free up capital for its other investments and businesses. Meanwhile, the Company will continue to engage in property development in other parts of the PRC and continue to diversify into technology related businesses.

### USE OF PROCEEDS

The net cash proceeds from the Asset Disposal of approximately HK\$120 million are intended to be applied as: (1) general working capital for the Group's existing businesses; (2) to finance new investments of property development in other parts of the PRC; and (3) to finance new investments of technology related businesses. Currently the Directors intend to hold the Consideration Units for investment purposes.

### EFFECTS OF THE ASSET DISPOSAL

#### **Remaining Business of the Company**

The Group, after the Asset Disposal, will be principally engaged in: (i) property investment and development in the PRC; (ii) provision of online English learning services; and (iii) provision of technology consultancy services:

#### *Property investment and development in the PRC*

The Group's remaining property investment and development business, which is mainly consisted of Gang Yu Square in Chongqing, the PRC ("Gang Yu"). Gang Yu is a 16-storey commercial building completed in 1997.

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## LETTER FROM THE BOARD

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### *Provision of English learning services*

The Group started the business in March of 2002. It covers Hong Kong and several prime cities in the PRC including Beijing, Shanghai and Guangzhou. The Group had entered into contracts with several large-scale corporate customers and subdistributors in 2002 and has been negotiating with several multinational clients in recent months. It is expected that additional revenue will be generated in the future.

### *Technology consultancy services*

In late 2001 and early 2002, the Group had conducted large-scale marketing campaign to promote the use of the phone banking services in Guangzhou. Service contracts with major telecommunication service providers and other companies had been obtained. The business is still in the early stage of development and the Group expects that the income from the services will increase in the future.

The unaudited turnover, profit before tax and profit after tax for the 6 months ended 30th June, 2002 of the above are as follows:

	<b>Property investment</b> <i>HK\$'000</i>	<b>English learning services</b> <i>HK\$'000</i>	<b>Technology consultancy services</b> <i>HK\$'000</i>
Turnover	1,612	187	–
Profit/(Loss) before tax	960	(80)	(215) <i>Note 1</i>
Profit/(Loss) after tax	643	(80)	(N/A)

*Note 1:* The figure represents the share of results of a jointly controlled entity which the Group holds 35% shareholding.

### **Financial effect of the Asset Disposal and the Acquisition**

#### *Gain on the Asset Disposal and the Acquisition*

The gain on the Asset Disposal of HK\$133,077,000, comprising realisation of reserves of approximately HK\$126,000,000 which had been included in the net asset value of Ample Dragon Group, was based on the unaudited financial statements of Ample Dragon Group as at 30th June, 2002, of which HK\$7,604,000 will be recognised in the profit and loss accounts and HK\$125,473,000 will be recorded as the deferred gain in the balance sheet of the Group upon the Completion. The Group is fully entitled to such realisation.

No gain or loss will be recognised in the Acquisition.

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## LETTER FROM THE BOARD

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### *Changes in the net tangible asset*

An increase of HK\$6,973,000, excluding the deferred gain of HK\$125,473,000, in the net tangible assets of the Group, will be recorded on the Asset Disposal based on the unaudited financial statements of Ample Dragon Group as at 30th June, 2002. No change in the net tangible assets of the Group will be recorded in respect of the Acquisition.

### *Change in the assets, liabilities and earnings*

Upon the Acquisition, the outstanding amount of deferred gain arising on the Asset Disposal will be recognised as earnings of the Group, leading to a decrease in liabilities with an increase in earnings of the Group with the same amount.

### *Excess of the Consideration over the net book value of Ample Dragon Group*

Based on the consideration of HK\$350,000,000, an excess of approximately HK\$7,000,000 was recorded over the unaudited book value of 51% equity interest in Ample Dragon Group as at 30th June, 2002 of approximately HK\$343,000,000.

Your attention is drawn to Appendix I of this circular for information in relation to the net asset value of the Group.

## **FUTURE PLANS AND PROSPECT OF THE GROUP**

The Asset Disposal will enable the Group to free up capital for its other investments and businesses. Meanwhile, the Company will continue to engage in property development in other parts of the PRC and continue to diversify into technology related businesses.

The Company has entered into a memorandum of understanding (“MOU”) dated 23rd October, 2002 with an independent party who is independent of and not connected with any of the directors, chief executive or substantial shareholders of the Company and any of its subsidiaries, or any of their respective associates (as defined in the Listing Rules) in relation to a possible co-operation in a property investment in Hebei, the PRC, which will comprise low-density residential and commercial properties. The MOU is legally binding in relation to its objective but there is no penalty imposed for either party to withdraw from the relevant project at this stage. Total investment amount involved, including addition land premium, will amount to Rmb1.7 billion (equivalent to approximately HK\$1.6 billion, based on the exchange rate of HK\$1.00 = RMB1.06). The project will be developed by 6 stages and is expected to last for 15 years. Estimated investment of the Group in the first stage will not be more than Rmb300 million (equivalent to approximately HK\$283 million). As stated in the MOU, the Company is currently seeking legal advice and local government approvals, and studying the feasibility of the investment before finalizing any investment plan, including the size of the investment consideration. Currently no investment decision has been made.

In addition, the Group is also studying the possibility of an investment into a technology related business in the PRC. The Company is currently negotiating with relevant parties and no investment decision has been made either.

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## LETTER FROM THE BOARD

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The Stock Exchange has also stated that they will closely monitor all future acquisitions or disposals of assets by the Group, including but not limited to the acceptance of the Third Instalment Substitution Units, and the Fourth Instalment Substitution Units and the Consideration Units as settlement of the Consideration and the exercise of the Option Deed. The Stock Exchange has indicated it has the discretion to require the Company to issue a circular to the shareholders of the Company irrespective of the size, particularly where the proposed transactions represent a departure from the principal activities of the Company. Furthermore, the Stock Exchange has the power to aggregate a series of transactions of the Group and any such transactions may result in the Group being treated as making a very substantial acquisition and as if it were a new listing applicant.

### SGM

Pursuant to the requirements of the Listing Rules, the Asset Disposal, which constitutes a major transaction for the Company, requires approval of the Company's shareholders at the SGM. No shareholder is required to abstain from voting in the SGM.

A notice convening the SGM to be held at suites 3302–3304, 33rd floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong on Monday, 30th December, 2002, at 11:00 a.m. is set out on pages 66 to 67 of this circular. A form of proxy is also enclosed. Whether or not you are able to attend and vote at the SGM, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon to Company's branch share registrar in Hong Kong, Tengis Limited, 4th Floor, Hutchison House, 10 Harcourt road, Central, Hong Kong, as soon as possible, in any event not less than 48 hours before the time appointed for the holding of the SGM and in default of which, the form of proxy shall not be treated as valid. Completion and return of the form of proxy will not preclude you from subsequently attending and voting in person at the SGM.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in appendices to this circular.

Yours faithfully,  
For and on behalf of the Board of  
**Zhong Hua International Holdings Limited**  
**Ho Tsam Hung**  
*Chairman*

**Unaudited pro forma adjusted consolidated net tangible assets**

The following unaudited pro forma adjusted consolidated net tangible assets of the Group after disposal is prepared based on the audited consolidated net tangible assets of the Group as at 31st December, 2001, adjusted to reflect the effects of the Asset Disposal on the Completion Date.

	<i>HK\$'000</i>
Audited consolidated net assets of the Group as at 31st December, 2001	838,843
Unaudited consolidated net profit from ordinary activities attributable to shareholders for the six months ended 30th June, 2002 as extracted from interim report for the six months ended 30th June, 2002 (the "Interim Report")	9,494
Investment properties revaluation reserve released during the six months ended 30th June, 2002 as extracted from the Interim Report	(28,478)
Movement in exchange fluctuation reserve during the six months ended 30th June, 2002 as extracted from the Interim Report	661
	<hr/>
Unaudited consolidated net assets of the Group as at 30th June, 2002 as extracted from the Interim Report	820,520
Less: goodwill on acquisition of jointly-controlled entities as at 30th June, 2002 included in interests in jointly-controlled entities in the Interim Report	(298,705)
	<hr/>
Unaudited consolidated net tangible assets of the Group as at 30th June, 2002	521,815
Proceeds from disposal of 51% in Ample Dragon	350,000
Decrease in net tangible assets as at 30th June, 2002 upon disposal of 51% in Ample Dragon – <i>Note 1</i>	(342,881)
Exchange difference adjustment	(146)
	<hr/>
	(343,027)
Deferred gain on disposal of 51% in Ample Dragon – <i>Note 2</i>	(125,473)
	<hr/>
Unaudited pro forma adjusted consolidated net tangible asset value of the Group immediately following the completion of the disposal of Ample Dragon	<u><u>403,315</u></u>

	<i>HK\$</i>
Adjusted consolidated net tangible assets per share based on 2,980,016,725 shares issued as at 30th June, 2002	
– Before Disposal	0.18
– After Disposal	0.14

*Note 1* – Included in the net tangible assets of Ample Dragon Group, there were reserves of approximately HK\$126 million, of which the Group is fully entitled to.

*Note 2* – The recognition of the deferred gain will match with the amount of settlement of Third Instalment, Fourth Instalment and Balance Consideration.

## **INDEBTEDNESS**

### **Borrowings**

At the close of business on 30th September, 2002, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding borrowings of HK\$210 million. The borrowings comprised secured bank loans of approximately HK\$198 million and unsecured bank loan of approximately HK\$12 million.

### **Security**

As at 30th September, 2002, the banking facilities of the Group were supported by certain of the investment properties, properties under development and completed properties for sale of the Group, and a corporate guarantee executed by the Company.

### **Contingent liability**

As at 30th September, 2002, the Group had given guarantees of approximately HK\$345 million for mortgage loans granted by certain banks to certain purchasers of the properties of the Group.

### **Disclaimer**

Save as aforesaid or as otherwise mentioned herein and apart from intra-Group liabilities, the Group did not, at the close of business on 30th September, 2002, have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, charges or debentures, mortgages, loans, or other similar indebtedness or any finance lease commitments, hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits or any guarantees or other material contingent liabilities.



Save and except for banking facilities of HK\$41 million secured by certain of the investment properties of the Group, of which HK\$12.7 million was drawn down on 25th November, 2002, the Directors have confirmed that there have been no material changes in the indebtedness and contingent liabilities of the Group since 30th September, 2002.

The guarantees for mortgage loans as at 30th September, 2002 were provided by GZ Dongxun and Chongqing Smart Hero Real Estate Development Company Limited (“Chongqing Smart Hero”), a wholly-owned subsidiary of the Company, to the extent of HK\$316 million and HK\$29 million respectively. Upon completion, GZ Dongxun is no longer the subsidiary of the Company and the Group will not have such guarantee after the Completion, except for the guarantees given by Chongqing Smart Hero.

**Foreign currency transactions**

Foreign currency amounts have, for the purpose of this indebtedness statement, been translated into Hong Kong dollars at the applicable rate of exchange ruling at the close of business on 30th September, 2002.

**WORKING CAPITAL**

The Directors are of the opinion that in the absence of unforeseen circumstances and after taking into account of the Agreement, the receiving of the Initial Deposit, Further Deposit and the Third Instalment in cash, and the Group’s internal resources and available banking and other borrowing facilities, the Group has sufficient working capital for its present requirements.

*The following is the text of a letter, summary of values and valuation certificate issued by Chesterton Petty Limited, an independent property valuer, prepared for the purpose of incorporation in the Circular, in connection with its valuation of the property interest held by the Group as at 30th September, 2002.*



International Property Consultants

Chesterton Petty Ltd  
16/F CITIC Tower  
1 Tim Mei Avenue  
Central  
Hong Kong

Tel 2840 1177  
Fax 2840 0600

13th December 2002

The Board of Directors  
Zhong Hua International Holdings Limited  
Suites 3302-3304  
One International Finance Centre  
1 Harbour View Street  
Central  
Hong Kong

In accordance with your instructions to value the property interests held by Ample Dragon Limited (the “Company”) or its subsidiaries (hereinafter together referred to as the “Group”) in the People’s Republic of China (the “PRC”), we confirm that we have carried out inspection, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the open market values of these property interests as at 30th September, 2002.

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

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

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

In addition, our valuation has been made on the assumption that the owner sells those property interests on the open market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase values of those property interests. Furthermore, no account has been taken of any option or right of pre-emption concerning or affecting the sale of those property interests and no forced sale situation in any manner is assumed in our valuation.

We have valued those property interests in Group I and Group II, except Property No. 2 of Group I, by reference to sales evidence as available on the market and where appropriate on the basis of capitalization of the net income shown on the documents handed to us by the Company. We have allowed for outgoings, and where appropriate, made provisions for reversionary income potential.

For Property No. 2, due to the specific purpose for which the property was constructed, there is no readily identifiable market comparable, and the building cannot be valued on the basis of direct comparison. It has therefore been valued on the basis of depreciated replacement cost. We would define “Depreciated Replacement Cost” to be our opinion of the land value in its existing use and an estimate of the new replacement costs of building, including fees and finance charges, from which deductions are then made to allow for age, condition and functional obsolescence. This approach generally provides the most reliable indication of value for the property in the absence of a known market based on comparable sales.

In valuing the property interests in Group III which are held under development or for future development, we have valued them on the basis that the property interests will be developed and completed in accordance with the development proposals provided to us. We have assumed that the approvals for the proposals have been obtained. In arriving at our opinion of value, we have valued them by making reference to comparable transactions in the locality and have also taken into account the construction costs that will be expended to complete the development to reflect the quality of the completed development.

For Property No. 7 in Group IV, we have opine no commercial value as it can be used for public facilities only.

In the course of our valuation of the property interests, we have, according to the instructions from the Group, assumed that all the balance payable to the Chinese parties of Guangzhou Dongxun Real Estate Development Company Limited have been fully settled and the Group owns the whole interest of the property.

We have been provided with copies of extracts of title documents relating to the property interests. However, we have not inspected the original documents to verify the ownership or to verify any amendments, which may not appear on the copies handed to us. In the course of

our valuation, we have relied to a considerable extent on the information given by the Group and its legal advisers on PRC law, Guannong Guangda Law Firm (廣大律師事務所), regarding the titles and other legal matters relating to the property, and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, letting, development scheme, site and floor area and all other relevant matters. Dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us by the Group and are therefore only approximations. We have not been able to carry out on-site measurements to verify the correctness of the site and floor areas of those property interests. We have assumed that the site and floor areas shown on the documents handed to us are correct.

We have inspected the exteriors and, where possible, the interior of the property. However, we have not carried out investigations on site to determine the suitability of the ground conditions and the services etc for any future development. Our valuations are prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report that these property interests are free from rot, infestation or any other structural defects.

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

Unless otherwise stated, all monetary amounts stated are in Hong Kong Dollars. The exchange rate adopted in our valuation is HK\$1 = RMB1.06, and there has been no significant fluctuation in the exchange rates for RMB against Hong Kong Dollars between that and the date of this letter.

We enclosed herewith our summary of values and valuation certificate.

Yours faithfully  
For and on behalf of  
**Chesterton Petty Limited**  
**Freddie Ling**  
*Chartered Estate Surveyor*  
M.R.I.C.S., A.H.K.I.S., R.P.S.(GP)  
*Divisional Director*

*Note:* Freddie Ling, M.R.I.C.S., A.H.K.I.S., R.P.S.(GP), has been a qualified valuer since 1989 and has about 16 years' experience in the valuation of properties in Hong Kong and has extensive experience in the valuation of properties in the People's Republic of China.

## SUMMARY OF VALUES

Property	Open market value in existing state as at 30th September, 2002	Interest attributable to the Group	Open market value in existing state attributable to the Group as at 30th September, 2002
<b>Group I – Property interests held by the Group for investment in the PRC</b>			
1 Portion of the Commercial Podium of Phase I of Guangzhou Hai Zhu Peninsula Garden Binjiang Dong Road Haizhu District Guangzhou Guangdong Province The PRC	HK\$173,000,000	100%	HK\$173,000,000
2 The Clubhouse in Phase II of Guangzhou Hai Zhu Peninsula Garden Binjiang Dong Road Haizhu District Guangzhou Guangdong Province The PRC	HK\$9,100,000	100%	HK\$9,100,000
Sub-total:	HK\$182,100,000		HK\$182,100,000

Property	Open market value in existing state as at 30th September, 2002	Interest attributable to the Group	Open market value in existing state attributable to the Group as at 30th September, 2002
<b>Group II – Property interests held by the Group for sale in the PRC</b>			
3 The remaining unsold residential units and underground car parking spaces of Phase I of Guangzhou Hai Zhu Peninsula Garden Binjiang Dong Road Haizhu District Guangzhou Guangdong Province The PRC	HK\$49,700,000	100%	HK\$49,700,000
4 The remaining unsold residential units and underground car parking spaces of Phase II of Guangzhou Hai Zhu Peninsula Garden Binjiang Dong Road Haizhu District Guangzhou Guangdong Province The PRC	HK\$67,100,000	100%	HK\$67,100,000
Sub-total:	HK\$116,800,000		HK\$116,800,000

Property	Open market value in existing state as at 30th September, 2002	Interest attributable to the Group	Open market value in existing state attributable to the Group as at 30th September, 2002
<b>Group III – Property interests for future development or under construction and held by the Group for future sale in the PRC</b>			
5 The remaining unsold residential units and underground car parking Phase III of Guangzhou Hai Zhu Peninsula Garden Binjiang Dong Road Haizhu District Guangzhou Guangdong Province The PRC	HK\$397,000,000	100%	HK\$397,000,000
6 Phase IV of Guangzhou Hai Zhu Peninsula Garden Binjiang Dong Road Haizhu District Guangzhou Guangdong Province The PRC	HK\$100,000,000	100%	HK\$100,000,000
Sub-total:	HK\$497,000,000		HK\$497,000,000
<b>Group IV – Property interest held by the Group in the PRC</b>			
7 A parcel of land (the “Haizhu Land”) situated at the west of Haizhu Swimming Pool and the north of Guangzhou Amateur Nautical Sports School in Haizhu District Guangzhou Guangdong Province The PRC			No commercial value
Total:	<u>HK\$795,900,000</u>		<u>HK\$795,900,000</u>

## VALUATION CERTIFICATE

## Group I – Property interests held by the Group for investment in the PRC

Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 30th September, 2002
1 Portion of the Commercial Podium of Phase I of Guangzhou Hai Zhu Peninsula Garden Binjiang Dong Road Haizhu District Guangzhou Guangdong Province The PRC	<p>Guangzhou Hai Zhu Peninsula Garden (hereinafter referred to as the “Development”) is a massive commercial/residential composite development, constructed upon a parcel of land with a site area of approximately 35,000 sq.m. (376,740 sq.ft.), including 25,424.48 sq.m. for commercial/residential uses and 9,575.52 sq.m. for greenery and roads, located at the middle portion of the coastal area amid Haizhu District in Guangzhou.</p> <p>The property comprises the unsold portion of the 3-storey commercial podium of Phase I of the Development completed in 1996.</p> <p>The total gross floor area of the property is approximately 12,257.99 sq.m. (131,945 sq.ft.).</p> <p>The property is held under the land use rights for a term of 70 years for residential uses, 40 years for commercial uses and 50 years for others uses (please see notes 1–6).</p>	Portions of the property is let under various tenancies for terms of 2 to 8 years, with the latest expiry date on August 2009 yielding a total current monthly rental of about RMB236,290, exclusive of management fees.	<p>HK\$173,000,000</p> <p>(100% interest attributable to the Group: HK\$173,000,000)</p>

*Notes:*

- (1) Pursuant to the State-owned Land Use Right Certificate 穗府國用(1993)字第特008號 issued by Guangzhou Municipal People’s Government on 1st November, 1993, the land use rights for portion of the Development, comprising a site area of approximately 6,252 sq.m., is held by 廣州市東迅房地產發展有限公司 (Guangzhou Dongxun Real Estate Development Company Limited, referred hereinafter to as “Party A”) for a term of 70 years for residential uses; 40 years for commercial uses and 50 years for other uses commencing from the issuance date of this Certificate.
- (2) Pursuant to the State-owned Land Use Right Certificate 穗府國用(1995)字第特016號 issued by Guangzhou Municipal People’s Government on 4th August, 1995, the land use rights for portion of the Development, comprising a site area of approximately 3,190 sq.m., is held by Party A for a term of 70 years for residential uses; 40 years for commercial uses and 50 years for other uses commencing from the issuance date of this Certificate.
- (3) Pursuant to the State-owned Land Use Right Certificate 穗府國用(1995)字第特017號 issued by Guangzhou Municipal People’s Government on 4th September, 1995, the land use rights for portion of the Development, comprising a site area of approximately 3,518 sq.m., is held by Party A for a term of 70 years for residential uses; 40 years for commercial uses and 50 years for other uses commencing from the issuance date of this Certificate.



- (4) Pursuant to the State-owned Land Use Right Certificate 穗府國用(1995)字第特018號 issued by Guangzhou Municipal People's Government on 4th September, 1995, the land use rights for portion of the Development, comprising a site area of approximately 3,423 sq.m., is held by Party A for a term of 70 years for residential uses; 40 years for commercial uses and 50 years for other uses commencing from the issuance date of this Certificate.
- (5) Pursuant to the State-owned Land Use Right Certificate 穗府國用(1997) 字第特021號 issued by Guangzhou Municipal People's Government on 12th September, 1997, the land use rights for portion of the Development, comprising a site area of approximately 2,953 sq.m., is held by Party A for a term of 70 years for residential uses; 40 years for commercial uses and 50 years for other uses commencing from the issuance date of this Certificate.
- (6) Pursuant to the State-owned Land Use Right Certificate 穗府國用(1997) 字第特022號 issued by Guangzhou Municipal People's Government on 12th September, 1997, the land use rights for portion of the Development, comprising a site area of approximately 6,088.48 sq.m., is held by in Party A for a term of 70 years for residential uses; 40 years for commercial uses and 50 years for other uses commencing from the issuance date of this Certificate.
- (7) Pursuant to a Contract for Grant of State-owned Land Use Rights (the "Contract") entered into between Guangzhou Land Administrative Bureau and Party A on 28th May, 1993. Guangzhou Land Administrative Bureau agreed to grant the land use rights of the land to Party A. The Content contains, *inter alia*, the following salient conditions:
- (i) Site area : 35,000 sq.m.
  - (ii) Use : Sport facilities, commercial/residential composite buildings and swimming pool
  - (iii) Land use term : 70 years (for residential use);  
40 years (for commercial use); and  
50 years (for others use), all commencing from 1st November, 1993.
  - (iv) Plot ratio : 5.48
  - (v) Gross floor area : 161,000 (commercial/residential uses)  
25,000 (sports facilities)  
6,090 (public facilities)
  - (vi) Maximum height : 30-storeys
  - (vii) Land grant fee : RMB69,668,480

According to the legal opinion of the property issued by the Group's PRC legal adviser, the land grant fee had been fully settled.

- (8) Pursuant to the Supplementary Contract for Grant of State-owned Land Use Rights 穗國地出字(93)438號 entered into between Guangzhou Land Administrative Bureau, Party A, and Guangzhou Sports Committee (廣州市體育委員會) (Party B), Party A and Party B agreed to pay an additional sum of RMB3,456,149 for an increase of gross floor area of 5,820 sq.m. (commercial use) to the original gross floor area of 161,000 sq.m.. We have been provided with a legal opinion of the property issued by the Group's PRC legal adviser, the land grant fee had been fully settled and the total gross floor area has been increased to 166,820 sq.m. (commercial/residential uses).

The plot ratio as stated above has been increased by an additional of 3.5. Please see note (3) of Property 7 for details.

- (9) Pursuant to three Real Estate Title Certificates 穗房地證字第 0409195, 0409196及0409197號 issued by Guangzhou Municipal State Land and Property Administration Bureau on 21st August, 1998, the title to the property is vested in Party A for commercial uses.
- (10) Pursuant to the Joint Venture Contract dated 23rd December, 1992, Party A is established with the salient joint venture conditions listed as below:
- (i) Joint venture parties : Guangzhou Sport Development Company (previously named as Guangzhou Sport Service Company) ("Sport Company")  
(廣州體育發展公司，前稱廣州體育服務公司)

Guangzhou Yuexiu Real Estate Development Company (“Yuexiu Company”)  
(廣州市越秀房地產開發經營公司)

Smart Hero Investment Limited (“Smart Company”)  
(香港超霸投資有限公司)

- (ii) Registered capital : HK\$184,130,000 (all contributed by Smart Company)
- (iii) Period of operation : 12 years from the issuance date of Business Licence
- (iv) Scope of business : Develop, construct, sale, lease and management the commercial/residential composite building to be constructed on Binjiang Dong Road, Guangzhou
- (v) Risk/Profit sharing : Smart Company shall provide Sport Company with a portion on the podium of the Development with a gross floor area of 6,000 sq.m. and pay a profit of RMB500 per sq.m. of the total gross floor area of the Development excluding the said 6,000 sq.m. and a fixed sum of RMB7,000,000 to Sport Company.

Smart Company shall pay a development management fee of RMB50 per sq.m. of the total gross floor area of the Development excluding the said 6,000 sq.m. to the Yuexiu Company.

Smart Company shall have the remaining profit of the Development.

As advised by the Group, all rights and liabilities of Sport Company and Yuexiu Company in Party A have been settled except for approximately HK\$5,000,000 payable by the Group to Sport Company.

- (11) Pursuant to an Agreement entered into between Smart Company and Yuexiu Company on 20th June, 1994, both parties agreed that Smart Company shall pay Yuexiu Company with a sum of RMB5,750,000 before 15th July, 1997 to supersede the development management fee which Smart Company has to pay to Yuexiu Company according to the terms in the said Joint Venture Contract. No additional development management fee shall be paid to Yuexiu Company in case the gross floor area of the Development is larger.
- (12) Pursuant to the Contract for Transfer of Interest and Responsibility of Foreign Party in Joint Venture Company entered into between Sport Company, Yuexiu Company, Smart Company and Dongxum Real Estate Development Company Limited (the “Dongxum Company”) on 29th May, 1997, all the parties agreed that Smart Company transfers all its interests and responsibilities in Party A to Dongxum Company in no consideration and Dongxum Company will replace Smart Company as one of the three joint venture parties of Party A.
- (13) Pursuant to a Confirmation Letter entered into between Guangzhou Sport Committee and Party A on 28th July, 1997, both parties agreed that the foreign party of Party A shall pay Guangzhou Sport Committee a sum of RMB18,000,000 and Party A shall have the profit arising from the additional gross floor area from the plot ratio of 3.5 added to the land of the Development with a site area of 35,000 sq.m. Please see note (8) for details.
- (14) Pursuant to Business Licence (Registration No. 企作粵穗總字第002670號) issued by 廣州市工商行政管理局 (Guangzhou City Administration Bureau of Industry and Commerce) dated 5th April, 2001, Party A was incorporated with registered capital of HK\$184,130,000 with a term of operation commencing from 2nd March, 1993 to 2nd March, 2005. The legal representative of Party A is Ho Pak Hung.
- (15) The property is currently subject to a mortgage agreement (Ref No. (2002) 環銀貸字第020001號) entered into between 中信實業銀行廣州分行 (referred hereinafter to as the “Mortgagee”) and Party A (the “Mortgagor”) dated 29 March, 2002. The agreement contains, *inter alia*, the following information:
  - (i) Mortgaged area : Portion of Levels 2 and 3 with a total GFA of 3,046 sq.m. in the Commercial Portion of Nos. 37, 45 and 53 Binjiang Dong Road and certain residential units in Phase III of the Development with a total GFA of 7,256 sq.m.

- (ii) Mortgage loan : RMB50,000,000.
  - (iii) Mortgage term : One year commencing from 8th April, 2002 to 8th April, 2003.
  - (iv) During the efficacy of this mortgage agreement, Party A should serve at least a 30 day's prior notice to the Mortgagee on any change of form of operation such as contract, lease, merge or annex, joint venture, spin-off, affiliation, or reform of stock structure. Party A can only proceed and execute the act on such reform upon obtaining the written approval to the relevant reform agreement from the Mortgagee.
- (16) The property is currently subject to a mortgage agreement (Ref No. (2001)穗建房貸015號) entered into between 中國建設銀行廣州第一支行 (referred hereinafter to as the "Mortgagee") and Party A (the "Mortgagor") dated 28th September, 2001. The agreement contains, *inter alia*, the following information:
- (i) Mortgaged area : Portion of Level 2 with a GFA of 4,219 sq.m. in the Commercial Portion of Nos. 37, 45 and 53 Binjang Dong Road and certain carparking spaces on Basement Level 1 in Phase III of the Development with a total GFA of 5,734 sq.m.
  - (ii) Mortgage loan : RMB50,000,000.
  - (iii) Mortgage term : Commencing from year 2001 to year 2003.
  - (iv) During the efficacy of this mortgage agreement, Party A should serve at least a 30 day's prior notice to the Mortgagee on any change of form of operation such as contract, lease, merge or annex, joint venture, spin-off, affiliation, or reform of stock structure. Party A can only proceed and execute the act on such reform upon obtaining the written approval to the relevant reform agreement from the Mortgagee.
- (17) The property is currently subject to a mortgage agreement (Ref No. 農信借字(2002)第014號) entered into between 增城市農村信用合作社聯合社 (referred hereinafter to as the "Mortgagee") and Party A (the "Mortgagor") dated 25th June, 2002. The agreement contains, *inter alia*, the following information:
- (i) Mortgaged area : Portion of Levels 1 and 2 with a total GFA of 800 sq.m. in the Commercial Portion of Nos. 37, 45 and 53 Binjang Dong Road.
  - (ii) Mortgage loan : RMB10,000,000.
  - (iii) Mortgage term : One year commencing from 25th June, 2002 to 20th June, 2003.
  - (iv) During the efficacy of this mortgage agreement, Party A should serve at least a 30 day's prior notice to the Mortgagee on any change of form of operation such as contract, lease, merge or annex, joint venture, spin-off, affiliation, or reform of stock structure. Party A can only proceed and execute the act on such reform upon obtaining the written approval to the relevant reform agreement from the Mortgagee.
- (18) We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser, which contains, *inter alia*, the following information:
- (i) Party A has obtained the relevant State-owned Land Use Right Certificates and the land use rights of the Development with a total site area of 25,424.48 sq.m. The land use rights are granted with terms of 70 years for residential uses, 40 years for commercial uses and 50 years for other uses.
  - (ii) Party A is in the process of application of the State-owned Land Use Right Certificate for the remaining land of the Development with the site area of 9,575.52 square meter. The remaining land is for the uses of public ancillary facilities such as greenery and roads. There is no legal impediment for Party A to obtain the State-owned Land Use Right Certificate and all of the relevant consideration has been fully paid.
  - (iii) Party A is entitled to operate, transfer, mortgage and lease the Development.

- (iv) Party A has obtained the relevant Real Estate Title Certificate/Property Ownership Certificate for the property which are legal and valid. Party A has the ownership of the property and is entitled to transfer the property.
- (19) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group is as follows:
- |        |  |     |
|--------|--|-----|
| (i)    | Real Estate Title Certificate          | Yes |
| (ii)   | State-owned Land Use Right Certificate | Yes |
| (iii)  | Business Licence                       | Yes |
| (iv)   | Mortgage Agreement                     | Yes |
| (v)    | Grant Contract for Land Use Right      | Yes |
| (vi)   | Joint Venture Contract                 | Yes |
| (vii)  | Construction Land Use Planning Permit  | Yes |
| (viii) | Construction Works Planning Permit     | Yes |
| (ix)   | Completion Certificate                 | Yes |

Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 30th September, 2002
2 The Clubhouse in Phase II of Guangzhou Hai Zhu Peninsula Garden Binjiang Dong Road Haizhu District Guangzhou Guangdong Province The PRC	<p>Guangzhou Hai Zhu Peninsula Garden (hereinafter referred to as the "Development") is a massive commercial/residential composite development, constructed upon a parcel of land with a site area of approximately 35,000 sq.m. (376,740 sq.ft.), including 25,424.48 sq.m. for commercial/residential uses and 9,575.52 sq.m. for greenery and roads, located at the middle portion of the coastal area amid Haizhu District in Guangzhou.</p> <p>The property comprises the club house of the Development which is a recreational area in the podium of Phase II of the Development completed in late 1997.</p> <p>An array of facilities is available for residents in the property including fitness centre, children's playroom, sauna room, function room, table tennis, billiard room, restaurant, beauty salon and outdoor swimming pool, etc.</p> <p>The gross floor area of the property is approximately 2,076.11 sq.m. (22,347 sq.ft.).</p> <p>The property is held under the land use rights for a term of 70 years for residential uses, 40 years for commercial uses and 50 years for others uses.</p>	The property is operated as a club house.	<p>HK\$9,100,000</p> <p>(100% interest attributable to the Group: HK\$9,100,000)</p>

*Notes:*

- (1) Pursuant to the State-owned Land Use Right Certificate 穗府國用(1993)字第特008號 issued by Guangzhou Municipal People's Government on 1st November, 1993, the land use rights for portion of the Development, comprising a site area of approximately 6,252 sq.m., is held by 廣州市東迅房地產發展有限公司 (Guangzhou Dongxun Real Estate Development Company Limited, referred hereinafter to as "Party A") for a term of 70 years for residential uses; 40 years for commercial uses and 50 years for other uses commencing from the issuance date of this Certificate.
- (2) Pursuant to the State-owned Land Use Right Certificate 穗府國用(1995)字第特016號 issued by Guangzhou Municipal People's Government on 4th August, 1995, the land use rights for portion of the Development, comprising a site area of approximately 3,190 sq.m., is held by Party A for a term of 70 years for residential uses; 40 years for commercial uses and 50 years for other uses commencing from the issuance date of this Certificate.
- (3) Pursuant to the State-owned Land Use Right Certificate 穗府國用(1995)字第特017號 issued by Guangzhou Municipal People's Government on 4th September, 1995, the land use rights for portion of the Development, comprising a site area of approximately 3,518 sq.m., is held by Party A for a term of 70 years for residential uses; 40 years for commercial uses and 50 years for other uses commencing from the issuance date of this Certificate.

- (4) Pursuant to the State-owned Land Use Right Certificate 穗府國用(1995)字第特018號 issued by Guangzhou Municipal People's Government on 4th September, 1995, the land use rights for portion of the Development, comprising a site area of approximately 3,423 sq.m., is held by Party A for a term of 70 years for residential uses; 40 years for commercial uses and 50 years for other uses commencing from the issuance date of this Certificate.
- (5) Pursuant to the State-owned Land Use Right Certificate 穗府國用(1997)字第特021號 issued by Guangzhou Municipal People's Government on 12th September, 1997, the land use rights for portion of the Development, comprising a site area of approximately 2,953 sq.m., is held by Party A for a term of 70 years for residential uses; 40 years for commercial uses and 50 years for other uses commencing from the issuance date of this Certificate.
- (6) Pursuant to the State-owned Land Use Right Certificate 穗府國用(1997)字第特022號 issued by Guangzhou Municipal People's Government on 12th September, 1997, the land use rights for portion of the Development, comprising a site area of approximately 6,088.48 sq.m., is held by in Party A for a term of 70 years for residential uses; 40 years for commercial uses and 50 years for other uses commencing from the issuance date of this Certificate.
- (7) Pursuant to a Contract for Grant of State-owned Land Use Rights (the "Contract") entered into between Guangzhou Land Administrative Bureau and Party A on 28th May, 1993. Guangzhou Land Administrative Bureau agreed to grant the land use rights of the land to Party A. The Content contains, *inter alia*, the following salient conditions:-

- |       |                  |   |   |
|-------|------------------|---|---|
| (i)   | Site area        | : | 35,000 sq.m.  |
| (ii)  | Use              | : | Sport facilities, commercial/residential composite buildings and swimming pool  |
| (iii) | Land use term    | : | 70 years (for residential use); 40 years (for commercial use); and 50 years (for others use), all commencing from 1st November, 1993. |
| (iv)  | Plot ratio       | : | 5.48  |
| (v)   | Gross floor area | : | 161,000 (commercial/residential uses)<br>25,000 (sports facilities)<br>6,090 (public facilities)                                      |
| (vi)  | Maximum height   | : | 30-storeys  |
| (vii) | Land grant fee   | : | RMB69,668,480   |

According to the legal opinion of the property issued by the Group's PRC legal adviser, the land grant fee had been fully settled.

- (8) Pursuant to the Supplementary Contract for Grant of State-owned Land Use Rights 穗國地出字(93)438號 entered into between Guangzhou Land Administrative Bureau, Party A, and Guangzhou Sports Committee (廣州市體育委員會) (Party B), Party A and Party B agreed to pay an additional sum of RMB3,456,149 for an increase of gross floor area of 5,820 sq.m. (commercial use) to the original gross floor area of 161,000 sq.m.. We have been provided with a legal opinion of the property issued by the Group's PRC legal adviser, the land grant fee had been fully settled and the total gross floor area has been increased to 166,820 sq.m. (commercial/residential uses).

The plot ratio as stated above has been increased by an additional of 3.5. Please see note (3) of Property 7 for details.

- (9) Pursuant to a Real Estate Title Certificate 穗房地證字第0483301號 issued by Guangzhou Municipal State Land and Property Administrative Bureau in 26th May, 1999, the title to the property with a total gross floor area of approximately 2,076.11 sq.m., is vested in Party A.
- (10) Pursuant to the Joint Venture Contract dated 23rd December, 1992, Party A is established with the salient joint venture conditions listed as below:
- |     |                       |   |  |
|-----|-----------------------|---|--|
| (i) | Joint venture parties | : | Guangzhou Sport Development Company (previously named as Guangzhou Sport Service Company) ("Sport Company")<br>(廣州體育發展公司，前稱廣州體育服務公司) |
|-----|-----------------------|---|--|

Guangzhou Yuexiu Real Estate Development Company (“Yuexiu Company”)  
(廣州市越秀房地產開發經營公司)

Smart Hero Investment Limited (“Smart Company”)  
(香港超霸投資有限公司)

- (ii) Registered capital : HK\$184,130,000 (all contributed by Smart Company)
- (iii) Period of operation : 12 years from the issuance date of Business Licence
- (iv) Scope of business : Develop, construct, sale, lease and management the commercial/residential composite building to be constructed on Binjiang Dong Road, Guangzhou
- (v) Risk/Profit sharing : Smart Company shall provide Sport Company with a portion on the podium of the Development with a gross floor area of 6,000 sq.m. and pay a profit of RMB500 per sq.m. of the total gross floor area of the Development excluding the said 6,000 sq.m. and a fixed sum of RMB7,000,000 to Sport Company.

Smart Company shall pay a development management fee of RMB50 per sq.m. of the total gross floor area of the Development excluding the said 6,000 sq.m. to the Yuexiu Company.

Smart Company shall have the remaining profit of the Development.

As advised by the Group, all rights and liabilities of Sport Company and Yuexiu Company in Party A have been settled except for approximately HK\$5,000,000 payable by the Group to Sport Company.

- (11) Pursuant to an Agreement entered into between Smart Company and Yuexiu Company on 20th June, 1994, both parties agreed that Smart Company shall pay Yuexiu Company with a sum of RMB5,750,000 before 15th July, 1997 to supersede the development management fee which Smart Company has to pay to Yuexiu Company according to the terms in the said Joint Venture Contract. No additional development management fee shall be paid to Yuexiu Company in case the gross floor area of the Development is larger.
- (12) Pursuant to the Contract for Transfer of Interest and Responsibility of Foreign Party in Joint Venture Company entered into between Sport Company, Yuexiu Company, Smart Company and Dongxum Real Estate Development Company Limited (the “Dongxum Company”) on 29th May, 1997, all the parties agreed that Smart Company transfers all its interests and responsibilities in Party A to Dongxum Company in no consideration and Dongxum Company will replace Smart Company as one of the three joint venture parties of Party A.
- (13) Pursuant to a Confirmation Letter entered into between Guangzhou Sport Committee and Party A on 28th July, 1997, both parties agreed that the foreign party of Party A shall pay Guangzhou Sport Committee a sum of RMB18,000,000 and Party A shall have the profit arising from the additional gross floor area from the plot ratio of 3.5 added to the land of the Development with a site area of 35,000 sq.m. Please see note (8) for details.
- (14) Pursuant to Business Licence (Registration No. 企作粵穗總字第002670號) issued by 廣州市工商行政管理局 (Guangzhou City Administration Bureau of Industry and Commerce) dated 5th April, 2001, Party A was incorporated with registered capital of HK\$184,130,000 with a term of operation commencing from 2nd March, 1993 to 2nd March, 2005. The legal representative of Party A is Ho Pak Hung.
- (15) The property is currently subject to a mortgage agreement (Ref No. 深發穗營業抵字第20010088號) entered into between 深圳發展銀行廣州分行 (referred hereinafter to as the “Mortgagee”) and Party A (the “Mortgagor”) dated 6th February, 2002. The agreement contains, *inter alia*, the following information:
  - (i) Mortgaged area : Level 1 and the Mezzanine floor and the Club house with a total GFA of 2,109 sq.m. and certain carparking spaces in District A of Basement Level 2 of Phase II of the Development.

- (ii) Mortgage loan : RMB24,000,000.
- (iii) Mortgage term : Commencing from year 12th March, 2002 to 12th March, 2003.
- (iv) During the efficacy of this mortgage agreement, Party A should serve at least a 30 day's prior notice to the Mortgagee on any change of form of operation such as contract, lease, merge or annex, joint venture, spin-off, affiliation, or reform of stock structure. Party A can only proceed and execute the act on such reform upon obtaining the written approval to the relevant reform agreement from the Mortgagee.
- (16) We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser, which contains, *inter alia*, the following information:
- (i) Party A has obtained the relevant State-owned Land Use Right Certificates and the land use rights of the Development with a total site area of 25,424.48 sq.m. The land use rights are granted with terms of 70 years for residential uses, 40 years for commercial uses and 50 years for other uses.
- (ii) Party A is in the process of application of the State-owned Land Use Right Certificate for the remaining land of the Development with the site area of 9,575.52 square meter. The remaining land is for the uses of public ancillary facilities such as greenery and roads. There is no legal impediment for Party A to obtain the State-owned Land Use Right Certificate and all of the relevant consideration has been fully paid.
- (iii) Party A is entitled to operate, transfer, mortgage and lease the Development.
- (iv) Party A has obtained the relevant Real Estate Title Certificate/ Property Ownership Certificate for the property which are legal and valid. Party A has the ownership of the property and is entitled to transfer the property.
- (17) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group is as follows:
- |        |  |     |
|--------|--|-----|
| (i)    | Real Estate Title Certificate          | Yes |
| (ii)   | State-owned Land Use Right Certificate | Yes |
| (iii)  | Business Licence                       | Yes |
| (iv)   | Mortgage Agreement                     | Yes |
| (v)    | Grant Contract for Land Use Right      | Yes |
| (vi)   | Joint Venture Contract                 | Yes |
| (vii)  | Construction Land Use Planning Permit  | Yes |
| (viii) | Construction Works Planning Permit     | Yes |
| (ix)   | Completion Certificate                 | Yes |



## Group II – Property interests held by the Group for sale in the PRC

Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 30th September, 2002
3 The remaining unsold residential units and underground car parking spaces of Phase I of Guangzhou Hai Zhu Peninsula Garden Binjiang Dong Road Haizhu District Guangzhou Guangdong Province The PRC	<p>Guangzhou Hai Zhu Peninsula Garden (hereinafter referred to as the “Development”) is a massive commercial/residential composite development, constructed upon a parcel of land with a site area of approximately 35,000 sq.m. (376,740 sq.ft.), including 25,424.48 sq.m. for commercial/residential uses and 9,575.52 sq.m. for greenery and roads, located at the middle portion of the coastal area amid Haizhu District in Guangzhou.</p> <p>The property comprises 47 unsold residential units in three 28-storey residential towers erected on a 3-storey commercial podium plus a car-parking basement underneath (together known as Phase I of the Development) which was completed in 1996. The property also includes 93 private car parking spaces with a total gross floor area of approximately 4,912.50 sq.m. in the basement level.</p> <p>The residential units have a total gross floor area of approximately 4,850.38 sq.m. (49,303 sq.ft.).</p> <p>The property is held under the land use rights for a term of 70 years for residential uses, 40 years for commercial uses and 50 years for others uses.</p>	The property is vacant.	<p>HK\$49,700,000</p> <p>(100% interest attributable to the Group: HK\$49,700,000)</p>

*Notes:*

- (1) Pursuant to the State-owned Land Use Right Certificate 穗府國用(1993)字第特008號 issued by Guangzhou Municipal People’s Government on 1st November, 1993, the land use rights for portion of the Development, comprising a site area of approximately 6,252 sq.m., is held by 廣州市東迅房地產發展有限公司 (Guangzhou Dongxun Real Estate Development Company Limited, referred hereinafter to as “Party A”) for a term of 70 years for residential uses; 40 years for commercial uses and 50 years for other uses commencing from the issuance date of this Certificate.
- (2) Pursuant to the State-owned Land Use Right Certificate 穗府國用(1995)字第特016號 issued by Guangzhou Municipal People’s Government on 4th August, 1995, the land use rights for portion of the Development, comprising a site area of approximately 3,190 sq.m., is held by Party A for a term of 70 years for residential uses; 40 years for commercial uses and 50 years for other uses commencing from the issuance date of this Certificate.

- (3) Pursuant to the State-owned Land Use Right Certificate 穗府國用(1995)字第特017號 issued by Guangzhou Municipal People's Government on 4th September, 1995, the land use rights for portion of the Development, comprising a site area of approximately 3,518 sq.m., is held by Party A for a term of 70 years for residential uses; 40 years for commercial uses and 50 years for other uses commencing from the issuance date of this Certificate.
- (4) Pursuant to the State-owned Land Use Right Certificate 穗府國用(1995)字第特018號 issued by Guangzhou Municipal People's Government on 4th September, 1995, the land use rights for portion of the Development, comprising a site area of approximately 3,423 sq.m., is held by Party A for a term of 70 years for residential uses; 40 years for commercial uses and 50 years for other uses commencing from the issuance date of this Certificate.
- (5) Pursuant to the State-owned Land Use Right Certificate 穗府國用(1997)字第特021號 issued by Guangzhou Municipal People's Government on 12th September, 1997, the land use rights for portion of the Development, comprising a site area of approximately 2,953 sq.m., is held by Party A for a term of 70 years for residential uses; 40 years for commercial uses and 50 years for other uses commencing from the issuance date of this Certificate.
- (6) Pursuant to the State-owned Land Use Right Certificate 穗府國用(1997)字第特022號 issued by Guangzhou Municipal People's Government on 12th September, 1997, the land use rights for portion of the Development, comprising a site area of approximately 6,088.48 sq.m., is held by in Party A for a term of 70 years for residential uses; 40 years for commercial uses and 50 years for other uses commencing from the issuance date of this Certificate.
- (7) Pursuant to a Contract for Grant of State-owned Land Use Rights (the "Contract") entered into between Guangzhou Land Administrative Bureau and Party A on 28th May, 1993. Guangzhou Land Administrative Bureau agreed to grant the land use rights of the land to Party A. The Content contains, *inter alia*, the following salient conditions:
- (i) Site area : 35,000 sq.m.
  - (ii) Use : Sport facilities, commercial/residential composite buildings and swimming pool
  - (iii) Land use term : 70 years (for residential use);  
40 years (for commercial use); and  
50 years (for others use), all commencing from 1st November, 1993.
  - (iv) Plot ratio : 5.48
  - (v) Gross floor area : 161,000 (commercial/residential uses)  
25,000 (sports facilities)  
6,090 (public facilities)
  - (vi) Maximum height : 30-storeys
  - (vii) Land grant fee : RMB69,668,480

According to the legal opinion of the property issued by the Group's PRC legal adviser, the land grant fee had been fully settled.

- (8) Pursuant to the Supplementary Contract for Grant of State-owned Land Use Rights 穗國地出字(93)438號 entered into between Guangzhou Land Administrative Bureau, Party A, and Guangzhou Sports Committee (廣州市體育委員會) (Party B), Party A and Party B agreed to pay an additional sum of RMB3,456,149 for an increase of gross floor area of 5,820 sq.m. (commercial use) to the original gross floor area of 161,000 sq.m.. We have been provided with a legal opinion of the property issued by the Group's PRC legal adviser, the land grant fee had been fully settled and the total gross floor area has been increased to 166,820 sq.m. (commercial/residential uses).

The plot ratio as stated above has been increased by an additional of 3.5. Please see note (3) of Property 7 for details.

- (9) Pursuant to a Guangzhou Municipal Real Property Ownership Certificate 廣州市房地產權屬證明書0029045號 issued by Guangzhou Municipal State Land and Property Administrative Bureau dated 11th September, 1996, the title to the property vested in Party A.
- (10) Pursuant to the Joint Venture Contract dated 23rd December, 1992, Party A is established with the salient joint venture conditions listed as below:
- (i) Joint venture parties : Guangzhou Sport Development Company (previously named as Guangzhou Sport Service Company) ("Sport Company")  
(廣州體育發展公司，前稱廣州體育服務公司)

Guangzhou Yuexiu Real Estate Development Company (“Yuexiu Company”)  
(廣州市越秀房地產開發經營公司)

Smart Hero Investment Limited (“Smart Company”)  
(香港超霸投資有限公司)

- (ii) Registered capital : HK\$184,130,000 (all contributed by Smart Company)
- (iii) Period of operation : 12 years from the issuance date of Business Licence
- (iv) Scope of business : Develop, construct, sale, lease and management the commercial/residential composite building to be constructed on Binjiang Dong Road, Guangzhou
- (v) Risk/Profit sharing : Smart Company shall provide Sport Company with a portion on the podium of the Development with a gross floor area of 6,000 sq.m. and pay a profit of RMB500 per sq.m. of the total gross floor area of the Development excluding the said 6,000 sq.m. and a fixed sum of RMB7,000,000 to Sport Company.

Smart Company shall pay a development management fee of RMB50 per sq.m. of the total gross floor area of the Development excluding the said 6,000 sq.m. to the Yuexiu Company.

Smart Company shall have the remaining profit of the Development.

As advised by the Group, all rights and liabilities of Sport Company and Yuexiu Company in Party A have been settled except for approximately HK\$5,000,000 payable by the Group to Sport Company.

- (11) Pursuant to an Agreement entered into between Smart Company and Yuexiu Company on 20th June, 1994, both parties agreed that Smart Company shall pay Yuexiu Company with a sum of RMB5,750,000 before 15th July, 1997 to supersede the development management fee which Smart Company has to pay to Yuexiu Company according to the terms in the said Joint Venture Contract. No additional development management fee shall be paid to Yuexiu Company in case the gross floor area of the Development is larger.
- (12) Pursuant to the Contract for Transfer of Interest and Responsibility of Foreign Party in Joint Venture Company entered into between Sport Company, Yuexiu Company, Smart Company and Dongxum Real Estate Development Company Limited (the “Dongxum Company”) on 29th May, 1997, all the parties agreed that Smart Company transfers all its interests and responsibilities in Party A to Dongxum Company in no consideration and Dongxum Company will replace Smart Company as one of the three joint venture parties of Party A.
- (13) Pursuant to a Confirmation Letter entered into between Guangzhou Sport Committee and Party A on 28th July, 1997, both parties agreed that the foreign party of Party A shall pay Guangzhou Sport Committee a sum of RMB18,000,000 and Party A shall have the profit arising from the additional gross floor area from the plot ratio of 3.5 added to the land of the Development with a site area of 35,000 sq.m. Please see note (8) for details.
- (14) Pursuant to Business Licence (Registration No. 企作粵穗總字第0002670號) issued by 廣州市工商行政管理局 (Guangzhou City Administration Bureau of Industry and Commerce) dated 5th April, 2001, Party A was incorporated with registered capital of HK\$184,130,000 with a term of operation commencing from 2nd March, 1993 to 2nd March, 2005. The legal representative of Party A is Ho Pak Hung.
- (15) We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal adviser, which contains, *inter alia*, the following information:
  - (i) Party A has obtained the relevant State-owned Land Use Right Certificates and the land use rights of the Development with a total site area of 25,424.48 sq.m. The land use rights are granted with terms of 70 years for residential uses, 40 years for commercial uses and 50 years for other uses.

- (ii) Party A is in the process of application of the State-owned Land Use Right Certificate for the remaining land of the Development with the site area of 9,575.52 square meter. The remaining land is for the uses of public ancillary facilities such as greenery and roads. There is no legal impediment for Party A to obtain the State-owned Land Use Right Certificate and all of the relevant consideration has been fully paid.
  - (iii) Party A is entitled to operate, transfer, mortgage and lease the Development.
  - (iv) Party A has obtained the relevant Real Estate Title Certificate/Property Ownership Certificate for the property which are legal and valid. Party A has the ownership of the property and is entitled to transfer the property.
- (16) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group is as follows:
- (i) Real Estate Title Certificate Yes
  - (ii) State-owned Land Use Right Certificate Yes
  - (iii) Business Licence Yes
  - (iv) Grant Contract for Land Use Right Yes
  - (v) Joint Venture Contract Yes
  - (vii) Construction Land Use Planning Permit Yes
  - (viii) Construction Works Planning Permit Yes
  - (ix) Completion Certificate Yes

Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 30th September, 2002
4 The remaining unsold residential units and underground car parking spaces of Phase II of Guangzhou Hai Zhu Peninsula Garden Binjiang Dong Road Haizhu District Guangzhou Guangdong Province The PRC	<p data-bbox="528 336 839 800">Guangzhou Hai Zhu Peninsula Garden (hereinafter referred to as the “Development”) is a massive commercial/residential composite development, constructed on a parcel of land with a site area of approximately 35,000 sq.m. (376,740 sq.ft.), including 25,424.48 sq.m. for commercial/residential uses and 9,575.52 sq.m. for greenery and roads, located at the middle portion of the coastal area amid Haizhu District in Guangzhou.</p> <p data-bbox="528 836 839 1332">The property comprises 10 residential units with a total gross floor area of approximately 1,368.97 sq.m. (14,736 sq.ft.), in three 40-storey residential towers erected over a 2-storey club house podium plus one basement level underneath (together known as Phase II of the Development), completed in late 1997. The Property also includes 265 private car-parking spaces with a total gross floor area of approximately 13,550.50 sq.m. in the basement level.</p> <p data-bbox="528 1368 839 1506">The property is held under the land use rights for a term of 70 years for residential uses, 40 years for commercial uses and 50 years for others uses.</p>	The property is vacant.	<p data-bbox="1142 336 1369 389">The property is vacant HK\$67,100,000</p> <p data-bbox="1222 425 1369 538">(100% interest attributable to the Group: HK\$67,100,000)</p>

## Notes:

- (1) Pursuant to the State-owned Land Use Right Certificate 穗府國用(1993)字第特008號 issued by Guangzhou Municipal People's Government on 1st November, 1993, the land use rights for portion of the Development, comprising a site area of approximately 6,252 sq.m., is held by 廣州市東迅房地產發展有限公司 (Guangzhou Dongxun Real Estate Development Company Limited, referred hereinafter to as "Party A") for a term of 70 years for residential uses; 40 years for commercial uses and 50 years for other uses commencing from the issuance date of this Certificate.
- (2) Pursuant to the State-owned Land Use Right Certificate 穗府國用(1995)字第特016號 issued by Guangzhou Municipal People's Government on 4th August, 1995, the land use rights for portion of the Development, comprising a site area of approximately 3,190 sq.m., is held by Party A for a term of 70 years for residential uses; 40 years for commercial uses and 50 years for other uses commencing from the issuance date of this Certificate.
- (3) Pursuant to the State-owned Land Use Right Certificate 穗府國用(1995)字第特017號 issued by Guangzhou Municipal People's Government on 4th September, 1995, the land use rights for portion of the Development, comprising a site area of approximately 3,518 sq.m., is held by Party A for a term of 70 years for residential uses; 40 years for commercial uses and 50 years for other uses commencing from the issuance date of this Certificate.
- (4) Pursuant to the State-owned Land Use Right Certificate 穗府國用(1995)字第特018號 issued by Guangzhou Municipal People's Government on 4th September, 1995, the land use rights for portion of the Development, comprising a site area of approximately 3,423 sq.m., is held by Party A for a term of 70 years for residential uses; 40 years for commercial uses and 50 years for other uses commencing from the issuance date of this Certificate.
- (5) Pursuant to the State-owned Land Use Right Certificate 穗府國用(1997)字第特021號 issued by Guangzhou Municipal People's Government on 12th September, 1997, the land use rights for portion of the Development, comprising a site area of approximately 2,953 sq.m., is held by Party A for a term of 70 years for residential uses; 40 years for commercial uses and 50 years for other uses commencing from the issuance date of this Certificate.
- (6) Pursuant to the State-owned Land Use Right Certificate 穗府國用(1997)字第特022號 issued by Guangzhou Municipal People's Government on 12th September, 1997, the land use rights for portion of the Development, comprising a site area of approximately 6,088.48 sq.m., is held by in Party A for a term of 70 years for residential uses; 40 years for commercial uses and 50 years for other uses commencing from the issuance date of this Certificate.
- (7) Pursuant to a Contract for Grant of State-owned Land Use Rights (the "Contract") entered into between Guangzhou Land Administrative Bureau and Party A on 28th May, 1993. Guangzhou Land Administrative Bureau agreed to grant the land use rights of the land to Party A. The Content contains, *inter alia*, the following salient conditions:
- (i) Site area : 35,000 sq.m.
  - (ii) Use : Sport facilities, commercial/residential composite buildings and swimming pool
  - (iii) Land use term : 70 years (for residential use);  
40 years (for commercial use); and  
50 years (for others use), all commencing from 1st November, 1993.
  - (iv) Plot ratio : 5.48
  - (v) Gross floor area : 161,000 (commercial/residential uses)  
25,000 (sports facilities)  
6,090 (public facilities)
  - (vi) Maximum height : 30-storeys
  - (vii) Land grant fee : RMB69,668,480

According to the legal opinion of the property issued by the Group's PRC legal adviser, the land grant fee had been fully settled.

- (8) Pursuant to the Supplementary Contract for Grant of State-owned Land Use Rights 穗國地出字(93)438號 entered into between Guangzhou Land Administrative Bureau, Party A, and Guangzhou Sports Committee (廣州市體育委員會) (Party B), Party A and Party B agreed to pay an additional sum of RMB3,456,149 for an increase of gross floor area of 5,820 sq.m. (commercial use) to the original gross floor area of 161,000 sq.m.. We have been provided with a legal opinion of the property issued by the Group's PRC legal adviser, the land grant fee had been fully settled and the total gross floor area has been increased to 166,820 sq.m. (commercial/residential uses).

The plot ratio as stated above has been increased by an additional of 3.5. Please see note (3) of Property 7 for details.

- (9) Pursuant to the Guangzhou Municipal Real Property Ownership Certificate 廣州市房地產權屬證明書 102086號 issued by Guangzhou Municipal State Land and Property Administrative Bureau dated March 1999, the title to the property is vested in Party A.

- (10) Pursuant to the Joint Venture Contract dated 23rd December, 1992, Party A is established with the salient joint venture conditions listed as below:

- (i) Joint venture parties : Guangzhou Sport Development Company (previously named as Guangzhou Sport Service Company) ("Sport Company")  
(廣州體育發展公司，前稱廣州體育服務公司)

Guangzhou Yuexiu Real Estate Development Company ("Yuexiu Company")  
(廣州市越秀房地產開發經營公司)

Smart Hero Investment Limited ("Smart Company")  
(香港超霸投資有限公司)

- (ii) Registered capital : HK\$184,130,000 (all contributed by Smart Company)
- (iii) Period of operation : 12 years from the issuance date of Business Licence
- (iv) Scope of business : Develop, construct, sale, lease and management the commercial/residential composite building to be constructed on Binjiang Dong Road, Guangzhou
- (v) Risk/Profit sharing : Smart Company shall provide Sport Company with a portion on the podium of the Development with a gross floor area of 6,000 sq.m. and pay a profit of RMB500 per sq.m. of the total gross floor area of the Development excluding the said 6,000 sq.m. and a fixed sum of RMB7,000,000 to Sport Company.

Smart Company shall pay a development management fee of RMB50 per sq.m. of the total gross floor area of the Development excluding the said 6,000 sq.m. to the Yuexiu Company.

Smart Company shall have the remaining profit of the Development.

As advised by the Group, all rights and liabilities of Sport Company and Yuexiu Company in Party A have been settled except for approximately HK\$5,000,000 payable by the Group to Sport Company.

- (11) Pursuant to an Agreement entered into between Smart Company and Yuexiu Company on 20th June, 1994, both parties agreed that Smart Company shall pay Yuexiu Company with a sum of RMB5,750,000 before 15th July, 1997 to supersede the development management fee which Smart Company has to pay to Yuexiu Company according to the terms in the said Joint Venture Contract. No additional development management fee shall be paid to Yuexiu Company in case the gross floor area of the Development is larger.

- (12) Pursuant to the Contract for Transfer of Interest and Responsibility of Foreign Party in Joint Venture Company entered into between Sport Company, Yuexiu Company, Smart Company and Dongxum Real Estate Development Company Limited (the "Dongxum Company") on 29th May, 1997, all the parties

agreed that Smart Company transfers all its interests and responsibilities in Party A to Dongxum Company in no consideration and Dongxum Company will replace Smart Company as one of the three joint venture parties of Party A.

- (13) Pursuant to a Confirmation Letter entered into between Guangzhou Sport Committee and Party A on 28th July, 1997, both parties agreed that the foreign party of Party A shall pay Guangzhou Sport Committee a sum of RMB18,000,000 and Party A shall have the profit arising from the additional gross floor area from the plot ratio of 3.5 added to the land of the Development with a site area of 35,000 sq.m. Please see note (8) for details.
- (14) Pursuant to Business Licence (Registration No. 企作粵穗總字第002670號) issued by 廣州市工商行政管理局 (Guangzhou City Administration Bureau of Industry and Commerce) dated 5th April, 2001, Party A was incorporated with registered capital of HK\$184,130,000 with a term of operation commencing from 2nd March, 1993 to 2nd March, 2005. The legal representative of Party A is Ho Pak Hung.
- (15) The property is currently subject to a mortgage agreement (Ref No. 深發穗營業抵字第20010088號) entered into between 深圳發展銀行廣州分行 (referred hereinafter to as the "Mortgagee") and Party A (the "Mortgagor") dated 6th February, 2002. The agreement contains, *inter alia*, the following information:
- (i) Mortgaged area : Level 1 and the Mezzanine floor and the Clubhouse with a total GFA of 2,109 sq.m. and certain carparking spaces in District A of Basement Level 2 of Phase II of the Development.
  - (ii) Mortgage loan : RMB24,000,000.
  - (iii) Mortgage term : Commencing from year 12th March, 2002 to 12th March, 2003.
  - (iv) During the efficacy of this mortgage agreement, Party A should serve at least a 30 day's prior notice to the Mortgagee on any change of form of operation such as contract, lease, merge or annex, joint venture, spin-off, affiliation, or reform of stock structure. Party A can only proceed and execute the act on such reform upon obtaining the written approval to the relevant reform agreement from the Mortgagee.
- (16) We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser, which contains, *inter alia*, the following information:
- (i) Party A has obtained the relevant State-owned Land Use Right Certificates and the land use rights of the Development with a total site area of 25,424.48 sq.m. The land use rights are granted with terms of 70 years for residential uses, 40 years for commercial uses and 50 years for other uses.
  - (ii) Party A is in the process of application of the State-owned Land Use Right Certificate for the remaining land of the Development with the site area of 9,575.52 square meter. The remaining land is for the uses of public ancillary facilities such as greenery and roads. There is no legal impediment for Party A to obtain the State-owned Land Use Right Certificate and all of the relevant consideration has been fully paid.
  - (iii) Party A is entitled to operate, transfer, mortgage and lease the Development.
  - (iv) Party A has obtained the relevant Real Estate Title Certificate/ Property Ownership Certificate for the property which are legal and valid. Party A has the ownership of the property and is entitled to transfer the property.



(17) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group is as follows:

(i)	Real Estate Title Certificate	Yes
(ii)	State-owned Land Use Right Certificate	Yes
(iii)	Business Licence	Yes
(iv)	Mortgage Agreement	Yes
(v)	Grant Contract for Land Use Right	Yes
(vi)	Joint Venture Contract	Yes
(vii)	Construction Land Use Planning Permit	Yes
(viii)	Construction Works Planning Permit	Yes
(ix)	Completion Certificate	Yes

**Group III – Property interests for future development or under construction and held by the Group for future sale in the PRC**

Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 30th September, 2002
5	<p>The remaining unsold residential units and underground car parking Phase III of Guangzhou Hai Zhu Peninsula Garden Binjiang Dong Road Haizhu District Guangzhou Guangdong Province The PRC</p> <p>Guangzhou Hai Zhu Peninsula Garden (hereinafter referred to as the “Development”) is a massive commercial/residential composite development, constructed upon a parcel of land with a site area of approximately 35,000 sq.m. (376,740 sq.ft.), including 25,424.48 sq.m. for commercial/residential uses and 9,575.52 sq.m. for greenery and roads, located at the middle portion of the coastal area amid Haizhu District in Guangzhou.</p> <p>The property comprises a levelled site for constructing Phase III of the development. The site for Phase III development is contiguous to existing Phase II of Guangzhou Hai Zhu Peninsula Garden.</p> <p>Phase III development comprises residential units and underground car-parking spaces scheduled to be completed at the end of 2002.</p> <p>Details of the planned accommodation for Phase III development are as follows:</p>	<p>The property is under construction and is scheduled to be completed at the end of 2002.</p>	<p>HK\$397,000,000</p> <p>(100% interest attributable to the Group: HK\$397,000,000)</p>
<b>Phase III</b>			
Use	<b>Gross floor area (Approximate)</b>		
	<i>(sq.m.)</i>	<i>(sq.ft.)</i>	
Residential	66,181.16	712,374	
Basement			
Car park	25,000.00	269,100	
Total	<u>91,181.16</u>	<u>981,474</u>	

Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 30th September, 2002
	<p>According to the information provided by the Group, 37,599.99 sq.m. of residential units in Phase III development has been pre-sold. The property comprises the remaining unsold portion of Phase III development with various residential units with a total gross floor area of approximately 28,609.33 sq.m. (307,951 sq.ft.) and 748 unsold car parking spaces with a gross floor area of approximately 24,971.84 sq.m. (268,797 sq.ft.).</p> <p>The property is held under the land use rights for a term of 70 years for residential uses, 40 years for commercial uses and 50 years for others uses.</p>		

*Notes:*

- (1) Pursuant to the State-owned Land Use Right Certificate 穗府國用(1993)字第特008號 issued by Guangzhou Municipal People's Government on 1st November, 1993, the land use rights for portion of the Development, comprising a site area of approximately 6,252 sq.m., is held by 廣州市東迅房地產發展有限公司 (Guangzhou Dongxun Real Estate Development Company Limited, referred hereinafter to as "Party A") for a term of 70 years for residential uses; 40 years for commercial uses and 50 years for other uses commencing from the issuance date of this Certificate.
- (2) Pursuant to the State-owned Land Use Right Certificate 穗府國用(1995)字第特016號 issued by Guangzhou Municipal People's Government on 4th August, 1995, the land use rights for portion of the Development, comprising a site area of approximately 3,190 sq.m., is held by Party A for a term of 70 years for residential uses; 40 years for commercial uses and 50 years for other uses commencing from the issuance date of this Certificate.
- (3) Pursuant to the State-owned Land Use Right Certificate 穗府國用(1995)字第特017號 issued by Guangzhou Municipal People's Government on 4th September, 1995, the land use rights for portion of the Development, comprising a site area of approximately 3,518 sq.m., is held by Party A for a term of 70 years for residential uses; 40 years for commercial uses and 50 years for other uses commencing from the issuance date of this Certificate.
- (4) Pursuant to the State-owned Land Use Right Certificate 穗府國用(1995)字第特018號 issued by Guangzhou Municipal People's Government on 4th September, 1995, the land use rights for portion of the Development, comprising a site area of approximately 3,423 sq.m., is held by Party A for a term of 70 years for residential uses; 40 years for commercial uses and 50 years for other uses commencing from the issuance date of this Certificate.
- (5) Pursuant to the State-owned Land Use Right Certificate 穗府國用(1997)字第特021號 issued by Guangzhou Municipal People's Government on 12th September, 1997, the land use rights for portion of the Development, comprising a site area of approximately 2,953 sq.m., is held by Party A for a term of 70 years for residential uses; 40 years for commercial uses and 50 years for other uses commencing from the issuance date of this Certificate.
- (6) Pursuant to the State-owned Land Use Right Certificate 穗府國用(1997)字第特022號 issued by Guangzhou Municipal People's Government on 12th September, 1997, the land use rights for portion of the Development, comprising a site area of approximately 6,088.48 sq.m., is held by in Party A for a term of 70 years for residential uses; 40 years for commercial uses and 50 years for other uses commencing from the issuance date of this Certificate.

- (7) Pursuant to a Contract for Grant of State-owned Land Use Rights (the “Contract”) entered into between Guangzhou Land Administrative Bureau and Party A on 28th May, 1993, Guangzhou Land Administrative Bureau agreed to grant the land use rights of the land to Party A. The Content contains, *inter alia*, the following salient conditions:

- (i) Site area : 35,000 sq.m.
- (ii) Use : Sport facilities, commercial/residential composite buildings and swimming pool
- (iii) Land use term : 70 years (for residential use);  
40 years (for commercial use); and  
50 years (for others use), all commencing from 1st November, 1993.
- (iv) Plot ratio : 5.48
- (v) Gross floor area : 161,000 (commercial/residential uses)  
25,000 (sports facilities)  
6,090 (public facilities)
- (vi) Maximum height : 30-storeys
- (vii) Land grant fee : RMB69,668,480

According to the legal opinion of the property issued by the Group’s PRC legal adviser, the land grant fee had been fully settled.

- (8) Pursuant to the Supplementary Contract for Grant of State-owned Land Use Rights 穗國地出字(93)438號 entered into between Guangzhou Land Administrative Bureau, Party A, and Guangzhou Sports Committee (廣州市體育委員會) (Party B), Party A and Party B agreed to pay an additional sum of RMB3,456,149 for an increase of gross floor area of 5,820 sq.m. (commercial use) to the original gross floor area of 161,000 sq.m.. We have been provided with a legal opinion of the property issued by the Group’s PRC legal adviser, the land grant fee had been fully settled and the total gross floor area has been increased to 166,820 sq.m. (commercial/residential uses).

The plot ratio as stated above has been increased by an additional of 3.5. Please see note (3) of Property 7 for details.

- (9) Pursuant to the Pre-sale Permit 穗房預字第19980289號 issued by 廣州市土地局管理局 Guangzhou Municipal State Land and Property Administration Bureau dated 20th February, 2001, Block A (also known as 勝景閣) of Phase III development with a total gross floor area of approximately 29,380 sq.m. (394 units) is allowed to be pre-sold in the local and foreign markets.

Pursuant to the Pre-sale Permit 穗房預字第19950286號 issued by 廣州市土地局管理局 Guangzhou Municipal State Land and Property Administration Bureau dated 20th February, 2001, Block B (also known as 御景閣) of Phase III development with a total gross floor area of approximately 29,380 sq.m. (394 units) is allowed to be pre-sold in the local and foreign markets.

Pursuant to the Pre-sale Permit 穗房預字第19950211號 issued by 廣州市土地局管理局 Guangzhou Municipal State Land and Property Administration Bureau dated 20th February, 2001, Block C (also known as 龍景閣) of Phase III development with a total gross floor area of approximately 29,380 sq.m. (394 units) is allowed to be pre-sold in the local and foreign markets.

- (10) In the course of our valuation, we have taken into account the expended and paid construction costs on Phase III development of RMB460 million as advised by Zhong Hua International Holdings Limited. According to the information provided by the Group, the outstanding construction costs for Phase III development as at the date of valuation is approximately RMB20 million.

- (11) Pursuant to the Joint Venture Contract dated 23rd December, 1992, Party A is established with the salient joint venture conditions listed as below:

- (i) Joint venture parties : Guangzhou Sport Development Company (previously named as Guangzhou Sport Service Company) (“Sport Company”) (廣州體育發展公司，前稱廣州體育服務公司)

Guangzhou Yuexiu Real Estate Development Company (“Yuexiu Company”)  
(廣州市越秀房地產開發經營公司)

Smart Hero Investment Limited (“Smart Company”)  
(香港超霸投資有限公司)

- (ii) Registered capital : HK\$184,130,000 (all contributed by Smart Company)
- (iii) Period of operation : 12 years from the issuance date of Business Licence
- (iv) Scope of business : Develop, construct, sale, lease and management the commercial/residential composite building to be constructed on Binjiang Dong Road, Guangzhou
- (v) Risk/Profit sharing : Smart Company shall provide Sport Company with a portion on the podium of the Development with a gross floor area of 6,000 sq.m. and pay a profit of RMB500 per sq.m. of the total gross floor area of the Development excluding the said 6,000 sq.m. and a fixed sum of RMB7,000,000 to Sport Company.

Smart Company shall pay a development management fee of RMB50 per sq.m. of the total gross floor area of the Development excluding the said 6,000 sq.m. to the Yuexiu Company.

Smart Company shall have the remaining profit of the Development.

As advised by the Group, all rights and liabilities of Sport Company and Yuexiu Company in Party A have been settled except for approximately HK\$5,000,000 payable by the Group to Sport Company.

- (12) Pursuant to an Agreement entered into between Smart Company and Yuexiu Company on 20th June, 1994, both parties agreed that Smart Company shall pay Yuexiu Company with a sum of RMB5,750,000 before 15th July, 1997 to supersede the development management fee which Smart Company has to pay to Yuexiu Company according to the terms in the said Joint Venture Contract. No additional development management fee shall be paid to Yuexiu Company in case the gross floor area of the Development is larger.
- (13) Pursuant to the Contract for Transfer of Interest and Responsibility of Foreign Party in Joint Venture Company entered into between Sport Company, Yuexiu Company, Smart Company and Dongxum Real Estate Development Company Limited (the “Dongxum Company”) on 29th May, 1997, all the parties agreed that Smart Company transfers all its interests and responsibilities in Party A to Dongxum Company in no consideration and Dongxum Company will replace Smart Company as one of the three joint venture parties of Party A.
- (14) Pursuant to a Confirmation Letter entered into between Guangzhou Sport Committee and Party A on 28th July, 1997, both parties agreed that the foreign party of Party A shall pay Guangzhou Sport Committee a sum of RMB18,000,000 and Party A shall have the profit arising the additional gross floor area from the plot ratio of 3.5 added to the land of the Development with a site area of 35,000 sq.m. Please see note (8) for details.
- (15) Pursuant to Business Licence (Registration No. 企作粵穗總字第002670號) issued by 廣州市工商行政管理局 (Guangzhou City Administration Bureau of Industry and Commerce) dated 5th April, 2001, Party A was incorporated with registered capital of HK\$184,130,000 with a term of operation commencing from 2nd March, 1993 to 2nd March, 2005. The legal representative of Party A is Ho Pak Hung.
- (16) We have excluded the pre-sold units in Phase III development with a total gross floor area of approximately 37,599.99 sq.m. in our valuation.
- (17) The property is currently subject to a mortgage agreement (Ref No. (2002)環銀貸字第020001號) entered into between 中信實業銀行廣州分行 (referred hereinafter to as the “Mortgagee”) and Party A (the “Mortgagor”) dated 29th March, 2002. The agreement contains, *inter alia*, the following information:
  - (i) Mortgaged area : Portion of Levels 2 and 3 with a total GFA of 3,046 sq.m. in the Commercial Portion of Nos. 37, 45 and 53 Binjiang Dong Road and certain residential units in Phase III of the Development with a total GFA of 7,256 sq.m.

- (ii) Mortgage loan : RMB50,000,000.
  - (iii) Mortgage term : One year commencing from 8th April, 2002 to 8th April, 2003.
  - (iv) During the efficacy of this mortgage agreement, Party A should serve at least a 30 day's prior notice to the Mortgagee on any change of form of operation such as contract, lease, merge or annex, joint venture, spin-off, affiliation, or reform of stock structure. Party A can only proceed and execute the act on such reform upon obtaining the written approval to the relevant reform agreement from the Mortgagee.
- (18) The property is currently subject to a mortgage agreement (Ref No. (2001)穗建房貸015號) entered into between 中國建設銀行廣州第一支行 (referred hereinafter to as the "Mortgagee") and Party A (the "Mortgagor") dated 28th September, 2001. The agreement contains, *inter alia*, the following information:
- (i) Mortgaged area : Portion of Level 2 with a GFA of 4,219 sq.m. in the Commercial Portion of Nos. 37, 45 and 53 Binjang Dong Road and certain carparking spaces on Basement Level 1 in Phase III of the Development with a total GFA of 5,734 sq.m.
  - (ii) Mortgage loan : RMB50,000,000.
  - (iii) Mortgage term : Commencing from year 2001 to year 2003.
  - (iv) During the efficacy of this mortgage agreement, Party A should serve at least a 30 day's prior notice to the Mortgagee on any change of form of operation such as contract, lease, merge or annex, joint venture, spin-off, affiliation, or reform of stock structure. Party A can only proceed and execute the act on such reform upon obtaining the written approval to the relevant reform agreement from the Mortgagee.
- (19) The property is currently subject to a mortgage agreement (Ref No.99年信字第063-1號) entered into between 中國工商銀行廣州市第二分行 (referred hereinafter to as the "Mortgagee") and Party A (the "Mortgagor") dated 10th December, 2001. The agreement contains, *inter alia*, the following information:
- (i) Mortgaged area : Certain residential units in Phase III of the Development with a total GFA of 15,395 sq.m.
  - (ii) Mortgage loan : RMB58,000,000.
  - (iii) Mortgage term : Commencing from year 2001 to year 2004.
  - (iv) During the efficacy of this mortgage agreement, Party A should serve at least a 30 day's prior notice to the Mortgagee on any change of form of operation such as contract, lease, merge or annex, joint venture, spin-off, affiliation, or reform of stock structure. Party A can only proceed and execute the act on such reform upon obtaining the written approval to the relevant reform agreement from the Mortgagee.
- (20) The property is currently subject to a mortgage agreement (Ref No.GDK477640120020058) entered into between 中國銀行廣州海珠支行 (referred hereinafter to as the "Mortgagee") and Party A (the "Mortgagor") dated 18th June, 2002. The agreement contains, *inter alia*, the following information:
- (i) Mortgaged area : Certain residential units in Phase III of the Development with a total GFA of 7,809.40 sq.m.
  - (ii) Mortgage loan : RMB24,600,000.
  - (iii) Mortgage term : One year commencing from 18th June, 2002 to 17th June, 2003.
  - (iv) During the efficacy of this mortgage agreement, Party A should serve at least a 30 day's prior notice to the Mortgagee on any change of form of operation such as contract, lease, merge or annex, joint venture, spin-off, affiliation, or reform of stock structure. Party A can only proceed and execute the act on such reform upon obtaining the written approval to the relevant reform agreement from the Mortgagee.
- (21) We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser, which contains, *inter alia*, the following information:
- (i) Party A has obtained the relevant State-owned Land Use Right Certificates and the land use rights of the Development with a total site area of 25,424.48 sq.m. The land use rights are granted with terms of 70 years for residential uses, 40 years for commercial uses and 50 years for other uses.

- (ii) Party A is in the process of application of the State-owned Land Use Right Certificate for the remaining land of the Development with the site area of 9,575.52 square meter. The remaining land is for the uses of public ancillary facilities such as greenery and roads. There is no legal impediment for Party A to obtain the State-owned Land Use Right Certificate and all of the relevant consideration has been fully paid.
  - (iii) Party A is entitled to operate, transfer, mortgage and lease the Development.
  - (iv) Party A has obtained the relevant Pre-sell Permit for Phase III of the Development which are legal and valid. Party A is entitled to pre-sell the Phase III of the Development.
- (22) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group is as follows:
- (i) Real Estate Title Certificate Yes
  - (ii) State-owned Land Use Right Certificate Yes
  - (iii) Business Licence Yes
  - (iv) Mortgage Agreement Yes
  - (v) Grant Contract for Land Use Right Yes
  - (vi) Joint Venture Contract Yes
  - (vii) Construction Land Use Planning Permit Yes
  - (viii) Construction Works Planning Permit Yes
  - (ix) Pre-sale permit Yes

Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 30th September, 2002																					
6 Phase IV of Guangzhou Hai Zhu Peninsula Garden Binjiang Dong Road Haizhu District Guangzhou Guangdong Province The PRC	<p>Guangzhou Hai Zhu Peninsula Garden (hereinafter referred to as the “Development”) is a massive commercial/residential composite development, constructed upon a parcel of land with a site area of approximately 35,000 sq.m. (376,740 sq.ft.), including 25,424.48 sq.m. for commercial/residential uses and 9,575.52 sq.m. for greenery and roads, located at the middle portion of the coastal area amid Haizhu District in Guangzhou.</p> <p>The property comprises a levelled site for constructing Phase IV of the Development. The site for Phase IV development is adjacent to Phase I of Guangzhou Hai Zhu Peninsula Garden.</p> <p>The property comprises the whole of Phase IV development consisting of various residential units and underground car parking spaces.</p> <p>Details of the planned accommodation of Phase IV development are as follows:</p>	The site for Phase IV development is vacant.	<p>HK\$100,000,000</p> <p>(100% interest attributable to the Group: HK\$100,000,000)</p>																					
	<p><b>Phase IV</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Use</th> <th colspan="2" style="text-align: center;">Gross floor area (Approximate)</th> </tr> <tr> <td></td> <th style="text-align: center;">(sq.m.)</th> <th style="text-align: center;">(sq.ft.)</th> </tr> </thead> <tbody> <tr> <td>Residential</td> <td style="text-align: right;">60,560.00</td> <td style="text-align: right;">651,868</td> </tr> <tr> <td>Basement</td> <td></td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Car park</td> <td style="text-align: right;">9,936.00</td> <td style="text-align: right;">106,951</td> </tr> <tr> <td>Others (ancillary facilities)</td> <td style="text-align: right;">1,000.00</td> <td style="text-align: right;">10,764</td> </tr> <tr> <td style="border-top: 1px solid black;">Total</td> <td style="text-align: right; border-top: 1px solid black;"><u>71,496.00</u></td> <td style="text-align: right; border-top: 1px solid black;"><u>769,583</u></td> </tr> </tbody> </table>	Use	Gross floor area (Approximate)			(sq.m.)	(sq.ft.)	Residential	60,560.00	651,868	Basement			Car park	9,936.00	106,951	Others (ancillary facilities)	1,000.00	10,764	Total	<u>71,496.00</u>	<u>769,583</u>		
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	<p>The property is held under the land use rights for a term of 70 years for residential uses, 40 years for commercial uses and 50 years for others uses.</p>																							



## Notes:

- (1) Pursuant to the State-owned Land Use Right Certificate 穗府國用(1993)字第特008號 issued by Guangzhou Municipal People's Government on 1st November, 1993, the land use rights for portion of the Development, comprising a site area of approximately 6,252 sq.m., is held by 廣州市東迅房地產發展有限公司 (Guangzhou Dongxun Real Estate Development Company Limited, referred hereinafter to as "Party A") for a term of 70 years for residential uses; 40 years for commercial uses and 50 years for other uses commencing from the issuance date of this Certificate.
- (2) Pursuant to the State-owned Land Use Right Certificate 穗府國用(1995)字第特016號 issued by Guangzhou Municipal People's Government on 4th August, 1995, the land use rights for portion of the Development, comprising a site area of approximately 3,190 sq.m., is held by Party A for a term of 70 years for residential uses; 40 years for commercial uses and 50 years for other uses commencing from the issuance date of this Certificate.
- (3) Pursuant to the State-owned Land Use Right Certificate 穗府國用(1995)字第特017號 issued by Guangzhou Municipal People's Government on 4th September, 1995, the land use rights for portion of the Development, comprising a site area of approximately 3,518 sq.m., is held by Party A for a term of 70 years for residential uses; 40 years for commercial uses and 50 years for other uses commencing from the issuance date of this Certificate.
- (4) Pursuant to the State-owned Land Use Right Certificate 穗府國用(1995)字第特018號 issued by Guangzhou Municipal People's Government on 4th September, 1995, the land use rights for portion of the Development, comprising a site area of approximately 3,423 sq.m., is held by Party A for a term of 70 years for residential uses; 40 years for commercial uses and 50 years for other uses commencing from the issuance date of this Certificate.
- (5) Pursuant to the State-owned Land Use Right Certificate 穗府國用(1997)字第特021號 issued by Guangzhou Municipal People's Government on 12th September, 1997, the land use rights for portion of the Development, comprising a site area of approximately 2,953 sq.m., is held by Party A for a term of 70 years for residential uses; 40 years for commercial uses and 50 years for other uses commencing from the issuance date of this Certificate.
- (6) Pursuant to the State-owned Land Use Right Certificate 穗府國用(1997)字第特022號 issued by Guangzhou Municipal People's Government on 12th September, 1997, the land use rights for portion of the Development, comprising a site area of approximately 6,088.48 sq.m., is held by in Party A for a term of 70 years for residential uses; 40 years for commercial uses and 50 years for other uses commencing from the issuance date of this Certificate.
- (7) Pursuant to a Contract for Grant of State-owned Land Use Rights (the "Contract") entered into between Guangzhou Land Administrative Bureau and Party A on 28th May, 1993. Guangzhou Land Administrative Bureau agreed to grant the land use rights of the land to Party A. The Content contains, *inter alia*, the following salient conditions:
- |       |                  |   |   |
|-------|------------------|---|---|
| (i)   | Site area        | : | 35,000 sq.m.  |
| (ii)  | Use              | : | Sport facilities, commercial/residential composite buildings and swimming pool  |
| (iii) | Land use term    | : | 70 years (for residential use);<br>40 years (for commercial use); and<br>50 years (for others use), all commencing from 1st November, 1993. |
| (iv)  | Plot ratio       | : | 5.48  |
| (v)   | Gross floor area | : | 161,000 (commercial/residential uses)<br>25,000 (sports facilities)<br>6,090 (public facilities)  |
| (vi)  | Maximum height   | : | 30-storeys  |
| (vii) | Land grant fee   | : | RMB69,668,480   |

According to the a legal opinion of the property issued by the Group's PRC legal adviser, the land grant fee had been fully settled.

- (8) Pursuant to the Supplementary Contract for Grant of State-owned Land Use Rights 穗國地出字(93)438號 entered into between Guangzhou Land Administrative Bureau, Party A, and Guangzhou Sports Committee (廣州市體育委員會) (Party B), Party A and Party B agreed to pay an additional sum of RMB3,456,149 for an increase of gross floor area of 5,820 sq.m. (commercial use) to the original gross floor area of 161,000 sq.m.. We have been provided with a legal opinion of the property issued by the Group's PRC legal adviser, the land grant fee had been fully settled and the total gross floor area has been increased to 166,820 sq.m. (commercial/residential uses).

The plot ratio as stated above has been increased by an additional of 3.5. Please see note (3) of Property 7 for details.

- (9) Pursuant to the Joint Venture Contract dated 23rd December, 1992, Party A is established with the salient joint venture conditions listed as below:

(i) Joint venture parties : Guangzhou Sport Development Company (previously named as Guangzhou Sport Service Company) ("Sport Company")  
(廣州體育發展公司，前稱廣州體育服務公司)

Guangzhou Yuexiu Real Estate Development Company ("Yuexiu Company")  
(廣州市越秀房地產開發經營公司)

Smart Hero Investment Limited ("Smart Company")  
(香港超霸投資有限公司)

(ii) Registered capital : HK\$184,130,000 (all contributed by Smart Company)

(iii) Period of operation : 12 years from the issuance date of Business Licence

(iv) Scope of business : Develop, construct, sale, lease and management the commercial/residential building to be constructed on Binjiang Dong Road, Guangzhou

(v) Risk/Profit sharing : Smart Company shall provide Sport Company with a portion on the podium of the Development with a gross floor area of 6,000 sq.m. and pay a profit of RMB500 per sq.m. of the total gross floor area of the Development excluding the said 6,000 sq.m. and a fixed sum of RMB7,000,000 to Sport Company.

Smart Company shall pay a development management fee of RMB50 per sq.m. of the total gross floor area of the Development excluding the said 6,000 sq.m. to the Yuexiu Company.

Smart Company shall have the remaining profit of the Development.

As advised by the Group, all rights and liabilities of Sport Company and Yuexiu Company in Party A have been settled except for approximately HK\$5,000,000 payable by the Group to Sport Company.

- (10) Pursuant to an Agreement entered into between Smart Company and Yuexiu Company on 20th June, 1994, both parties agreed that Smart Company shall pay Yuexiu Company with a sum of RMB5,750,000 before 15th July, 1997 to supersede the development management fee Smart Company has to pay to Yuexiu Company according to the terms in the said Joint Venture Contract. No additional development management fee shall be paid to Yuexiu Company in case the gross floor area of the Development is larger.

- (11) Pursuant to the Contract for Transfer of Interest and Responsibility of Foreign Party in Joint Venture Company entered into between Sport Company, Yuexiu Company, Smart Company and Dongxum Real Estate Development Company Limited (the "Dongxum Company") on 29th May, 1997, all the parties agreed that Smart Company transfers all its interests and responsibilities in Party A to Dongxum Company in no consideration and Dongxum Company will replace Smart Company as one of the three joint venture parties of Party A.

- (12) Pursuant to a Confirmation Letter entered into between Guangzhou Sport Committee and Party A on 28th July, 1997, both parties agreed that the foreign party of Party A shall pay Guangzhou Sport Committee a sum of RMB18,000,000 and Party A shall have the profit of the additional gross floor area from the plot ratio of 3.5 added to the land of the Development with a site area of 35,000 sq.m. Please see note (8) for details.
- (13) Pursuant to Business Licence (Registration No. 企作粵穗總字第002670號) issued by 廣州市工商行政管理局 (Guangzhou City Administration Bureau of Industry and Commerce) dated 5th April, 2001, Party A was incorporated with registered capital of HK\$184,130,000 with a term of operation commencing from 2nd March, 1993 to 2nd March, 2005. The legal representative of Party A is Ho Pak Hung.
- (14) We are of the opinion that, assuming the whole of Phase IV development has been completed and all the residential units have been fully furnished with the benefit of vacant possession, the open market value of Phase IV development with a total planned gross floor area of approximately 71,496 sq.m. as at 30th September, 2002, is HK\$716,000,000. We have adopted direct comparison approach in preparation of the valuation.

In the course of our valuation, we have assumed that the design of Phase IV development has been approved and any prescribe approvals and permits for the proposal of Phase IV development have been obtained.

- (15) We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser, which contains, inter alia, the following information:
- (i) Party A has obtained the relevant State-owned Land Use Right Certificates and the land use rights of the Development with a total site area of 25,424.48 sq.m. The land use rights are granted with terms of 70 years for residential uses, 40 years for commercial uses and 50 years for other uses.
  - (ii) Party A is in the process of application of the State-owned Land Use Right Certificate for the remaining land of the Development with the site area of 9,575.52 square meter, the remaining land is for the uses of public ancillary facilities such as greenery and roads, there is no legal impediment for Party A to obtain the State-owned Land Use Right Certificate and all of the relevant consideration has been fully paid.
  - (iii) Party A is entitled to operate, transfer, mortgage and lease the Development.
- (16) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group is as follows:
- |        |  |     |
|--------|--|-----|
| (i)    | Real Estate Title Certificate                        | N/A |
| (ii)   | State-owned Land Use Right Certificate               | Yes |
| (iii)  | Business Licence                                     | Yes |
| (iv)   | Grant Contract for Land Use Right                    | Yes |
| (v)    | Joint Venture Contract                               | Yes |
| (vi)   | Construction Land Use Planning Permit                | Yes |
| (vii)  | Construction Works Planning Permit ( <i>Note i</i> ) | No  |
| (viii) | Completion Certificate ( <i>Note i</i> )             | No  |

*Note (i)* The Construction Works Planning Permit and Completion Certificate have not been obtained by Party A as the development has not commenced.

## Group IV – Property held by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 30th September, 2002
7 A parcel of land (the “Haizhu Land”) situated at the west of Haizhu Swimming Pool and the north of Guangzhou Amateur Nautical Sports School in Haizhu District Guangzhou Guangdong Province The PRC	The property comprises a site situated in Haizhu District with a site area of approximately 38,790 sq.m. (417,536 sq.ft.).  According to the Contract for Grant of State-owned Land Use Rights, the property is held under the land use rights for a term of 70 years for residential uses and 50 years for sport facilities uses.	Public facilities such as swimming pools, recreational buildings, a driving range and greenery are currently standing on the site.	No commercial value

*Notes:*

- (1) Pursuant to a Contract for Grant of State-owned Land Use Rights entered into between Guangzhou Land Administrative Bureau, Party A and Guangzhou Sports Committee (廣州市體育委員會) (Party B) on 1st November, 1995, Guangzhou Land Administrative Bureau agreed to grant the land use rights of a plot of land, the Haizhu Land, to Party A and Party B with the following salient conditions:

- (i) Site area : 38,790 sq.m.
- (ii) Use : Sport facilities, commercial/residential composite buildings and primary school
- (iii) Land use term : 70 years (for residential use):  
50 years (for sport facilities)
- (iv) Plot ratio : Not mentioned
- (v) Gross floor area : 121,110 sq.m. (for residential use);  
1,800 sq.m. (for primary schools, etc)
- (vi) Land grant fee : RMB32,890,349

Pursuant to a Notice issued by Guangzhou State-owned Land Resources and Building Management Bureau on 26th December, 2001, and the legal opinion issued by the Group’s PRC legal adviser, RMB21,860,000 out of RMB32,890,349 land grant fee at the Haizhu Land has been paid, the outstanding amount of land grant fee of RMB11,030,349 have to be settled before 30th December, 2002.

- (2) Pursuant to the legal opinion issued by the Group’s PRC legal adviser and the Documents No. (94)城規覆字第130號 and 城規批字(1994)第211號 both issued by Guangzhou Urban Planning Bureau, the Haizhu Land can be used for public facilities such as greenery and Sport facilities only and cannot built with commodity housing, Guangzhou Urban Planning Bureau agreed to add a plot ratio of 3.5 to the land with site area of 35,000 sq.m. held by Party A (that is the land of the Development). We have opine no commercial value to Haizhu Land as it can be used for public facilities only.
- (3) Pursuant to the legal opinion issued by the Group’s PRC legal adviser, an addition plot ratio of 3.5 to the original 5.48 of the land with site area of 35,000 sq.m. (the land of the Development) was granted as a compensation for the restriction of not to build with commodity housing on the Haizhu Land. The total plot ratio therefore increase to 8.98.
- (4) Pursuant to the legal opinion issued by the Group’s legal adviser, although Party A has not fully settled the land grant fee for the Haizhu Land, there is no legal impediment or any influence on the land use rights or the interest of the land obtained by Party A.

## 1. RESPONSIBILITY STATEMENT

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

## 2. DISCLOSURE OF INTERESTS

### (a) Directors' Interests

#### (1) *The Company*

##### *Shares*

As at the Latest Practicable Date, according to the SDI register kept by the Company, the interests of the Directors and their associates (as defined in the Listing Rules) in the share capital of the Company or any of its associated corporations (within the meaning of the SDI Ordinance) which are required to be notified to the Company and the Stock Exchange pursuant to section 28 of the SDI Ordinance (including interests which they are taken or deemed to have under section 31 or Part I of the Schedule to the SDI ordinance) or which is required, pursuant to section 29 of the SDI Ordinance, to be entered in the register referred to therein or which is required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange;

<b>Name of director</b>	<b>Nature of Interests</b>	<b>Number of Shares</b>
Ho Tsam Hung	Corporate ( <i>Note 1</i> )	270,000,000
Ho Pak Hung	Corporate ( <i>Note 2</i> )	270,000,000
Ho Kam Hung	Corporate ( <i>Note 3</i> )	270,000,000

##### *Notes:*

- (1) 270,000,000 Shares were beneficially held by Ho Tsam Hung through Morgan Estate Assets Limited
- (2) 270,000,000 Shares were beneficially held by Ho Pak Hung through On Tai Profits Limited
- (3) 270,000,000 Shares were beneficially held by Ho Kam Hung through Morcambe Corporation

(2) *Associated Corporations*

As at the Latest Practicable Date, the following Directors of the Company had interests in the non-voting deferred shares in certain of the Company's subsidiaries:

(i) *Interests in the non-voting deferred shares of Powerex*

<b>Name of director</b>	<b>Personal interests</b>	<b>Corporate interests</b>	<b>Total number of shares</b>
Ho Tsam Hung	91	9,997*	10,088
Ho Pak Hung	91	9,997*	10,088
Ho Kam Hung	91	9,997*	10,088

\* These non-voting deferred shares were registered in the name of Smart Hero Investment Limited, of which the entire issued share capital of 10,000,000 shares was held by Shun Fat (Holdings) Limited ("Shun Fat") as to 9,986,667 shares, Ho Tsam Hung as to 3,334 shares and Ho Pak Hung, Ho Kam Hung and Lam Ling Tak, a former Director of the Company, as to 3,333 shares each. Shun Fat was owned by Ho Tsam Hung, Ho Pak Hung, Ho Kam Hung and Lam Ling Tak in equal shares.

(ii) *Interests in the non-voting deferred shares of HK Dongxum*

<b>Name of director</b>	<b>Personal interests</b>	<b>Total number of shares</b>
Ho Tsam Hung	91	91
Ho Pak Hung	91	91
Ho Kam Hung	91	91

(iii) *Interests in the non-voting deferred shares of Smart Hero (Holdings) Limited*

<b>Name of director</b>	<b>Personal interests</b>	<b>Total number of shares</b>
Ho Tsam Hung	91	91
Ho Pak Hung	91	91
Ho Kam Hung	91	91

(iv) *Interests in the non-voting deferred shares of China Land Realty Investment Limited*

Name of director	Personal interests	Total number of shares
Ho Tsam Hung	91	91
Ho Pak Hung	91	91
Ho Kam Hung	91	91

All the above mentioned non-voting deferred shares carry no rights to dividends, to receive notice of or to attend or vote at any general meeting of the relevant company, or to participate in any distribution on winding-up.

(3) *Directors' rights to acquire shares*

The following outstanding share options were granted to the Directors under the share option scheme of the Company adopted on 19th September, 1997 (the "Old Scheme") (Note 1):

Name of Director	Number of share options outstanding at the Latest Practicable Date	Date of grant of share options (Note 2)	Exercise period of share options	Exercise price of share options (Note 3) HK\$
Ho Tsam Hung	27,500,000	1st June, 2001	1st December, 2001 to 1st December, 2004	0.1395
Ho Pak Hung	27,500,000	1st June, 2001	1st December, 2001 to 1st December, 2004	0.1395
Ho Kam Hung	27,500,000	1st June, 2001	1st December, 2001 to 1st December, 2004	0.1395
	<u>82,500,000</u>			

*Notes:*

- Pursuant to the ordinary resolutions of the Company dated 11th June, 2002, the Old Scheme was terminated in accordance with the amendments to Chapter 17 of the Listing Rules. Upon termination of the Old Scheme, no further option would be granted under it. Yet, the Old Scheme would in all other respects remain in force to the extent necessary to give effect to the exercise of the options granted under the Old Scheme prior to its termination ("Existing Options"). The Existing Options will continue to be valid and exercisable in accordance with the provision of the Old Scheme.

2. The vesting period of the share options is from the date of the grant until the commencement of the exercise period.
3. The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital

Save as disclosed herein and as at the Latest Practicable Date:

- (a) none of the Directors or the chief executive of the Company had, or was deemed to have, an interest in any shares in, or debentures of, the Company or any of its associated corporation (within the meaning of the SDI Ordinance) which would have to be notified to the Company and the Stock Exchange pursuant to section 28 of the SDI Ordinance (including interests which he has taken or deemed to have under section 31 or Part I of the Schedule to the SDI ordinance) or which is required, pursuant to section 29 of the SDI Ordinance, to be entered in the register referred to therein or which is required, pursuant to the Model Code for Securities Transaction by Directors of Listed Companies, to be notified to the Company and the Stock Exchange;
- (b) none of the Directors was materially interested in any contract or arrangement subsisting which was significant in relation to the management and administration of the Group taken as a whole; and
- (c) none of the Directors have any direct or indirect interest in any assets which has been, since 31st December, 2001 (being the date of which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or which is proposed to be acquired or disposed of by or leased to any member of the Group.

**(b) Interests of substantial Shareholders**

As at the Latest Practicable Date, as far as the Directors were aware, the register of substantial shareholders maintained by the Company, pursuant to section 16(1) of the SDI Ordinance, showed that the following shareholders, other than the directors whose interests are disclosed above, had an interest of more than 10% of the nominal value of the Company's issued share capital.

Name	Number of shares held	Percentage of the shares of the Company
High Rank Enterprises Limited	1,140,000,000	38.25%



Save as disclosed above, the Company had not been notified of any other interest representing 10% or more in the issued share capital of the Company as at the Latest Practicable Date.

### 3. MATERIAL ADVERSE CHANGES

Save as disclosed in the annual report for the year ended and the Agreement, there has been no material adverse change in the financial or trading position or prospect of the Group since 31st December, 2001, the date to which the latest audited consolidated financial statements of the Group were made up.

### 4. EXPERT'S DISCLOSURE OF INTERESTS, CONSENTS AND QUALIFICATIONS

As at the Latest Practicable Date, both Guannong Guangda Law Firm and Chesterton Petty Ltd. had no direct or indirect shareholding in any member of the Group, or any right to subscribe for or to nominate persons to subscribe for shares in any member of the Group, or any interests, directly or indirectly, in any assets which have been since 31st December, 2001, being the latest published audited consolidated accounts of the Company were made up, acquired or disposed of by or leased to, or are proposed to be acquired or disposed of by or leased to any member of the Group.

Guannong Guangda Law Firm and Chesterton Petty Ltd. have given and have not withdrawn written consents to the issue of this circular with the inclusion therein of their letters and opinions and references to their name in the form and context in which their appear.

The followings are the qualifications of the expert who has given opinions or advice which are contained in this circular:

<b>Name</b>	<b>Qualifications</b>
Chesterton Petty Ltd.	professional surveyors and valuers
Guannong Guangda Law Firm	qualified PRC legal advisers

### 5. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this circular and are or may be material:

- (1) an agreement on guarantee was entered into amongst Ho Tsam Hung, Ho Kam Hung, Directors of the Company, and the Company on 24th April, 2001, which the two Directors indemnified the Company from any losses arising from a receivable of HK\$26,000,000. The guarantee covers the period from 24th April, 2001 to 31st December, 2001.

- (2) a conditional sale and purchase agreement dated 6th April, 2001 was entered into between China Land and Empower, pursuant to which China Land agreed to purchase the fully paid share capital of I-Action Agents Limited for a consideration of HK\$320,000,000. The consideration was satisfied by the issuance and allotment to Empower and/or its nominee(s) such number of shares of US\$1.00 each credited as fully paid, representing 49% of the enlarged issued share capital of Ample Dragon. The transactions constitute discloseable transactions pursuant to the Listing Rules of the Stock Exchange of Hong Kong Limited. Details of the transactions have been set out in a circular of the Company dated 31st May, 2001 and the transactions were completed on 28th June, 2001.
- (3) an agreement on guarantee was entered into between Ho Tsam Hung, a Director of the Company, and the Company on 24th April, 2002, which Ho Tsam Hung indemnified the Company from any losses arising from certain other receivables and investment deposit totally approximately HK\$116,956,000. The guarantee covers the period from 24th April, 2002 to 31st December, 2002.

## **6. LITIGATION**

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

## **7. SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had entered into any service contracts with any member of the Group which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

## **8. MISCELLANEOUS**

- (a) The secretary of the Company is Yam Ka Yin Rebecca, Qualified Accountant.

- (b) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the principal office is at suites 3302-04, 33rd floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong. The Hong Kong branch share register and transfer office of the Company is Tengis Limited, 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong.
- (c) The English text of this circular shall prevail over the Chinese text.

## **9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours at the principal office of the Company up to and including 30th December, 2001:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the Agreement;
- (c) the material contracts referred to in the section headed “Material Contracts” in this appendix;
- (d) the annual reports of the Company for the years ended 31st December, 2000 and 31st December, 2001;
- (e) the valuation report and valuation certificate issued by the Valuer;
- (f) the written consents referred to under the section headed “Consents” in this Appendix;
- (g) the legal opinion issued by Guannong Guangda Law Firm; and
- (h) this circular.

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## NOTICE OF SPECIAL GENERAL MEETING

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### ZHONG HUA INTERNATIONAL HOLDINGS LIMITED

中華國際控股有限公司\*

*(Incorporated in Bermuda with limited liability)*

**NOTICE IS HEREBY GIVEN** that a special general meeting of Zhong Hua International Holdings Limited (“**Company**”) will be held at suites 3302-3304, 33rd floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong on Monday, 30th December, 2002 at 11:00 a.m. for the purpose of considering and, if thought fit, passing, with or without amendments, the following resolution as ordinary resolutions:

#### ORDINARY RESOLUTIONS

“**THAT** the sale and purchase agreement dated 25th October, 2002 (the “**Agreement**”) entered into between the Company’s wholly-owned subsidiary, China Land Realty Investment (BVI) Limited as vendor and Guangdong Properties Investment Ltd as purchaser for the sale and purchase of 51% of the entire issued share capital of Ample Dragon Limited, a copy of which has been produced to the meeting marked “**A**” and has been signed by the chairman of the meeting for the purpose of identification, and all transactions contemplated therein be and are hereby approved and confirmed in all respects; and **THAT** any one director of the Company be and is hereby authorized on behalf of the Company:

- (a) to sign, seal, execute, perfect and deliver all such documents and do all such deeds (including the option deed as referred to in the Agreement), acts, matters and things as he/she may in his/her discretion consider necessary or desirable for the purpose of or in connection with the implementation of the Agreement and all transactions contemplated therein;
- (b) to exercise or enforce all of the rights of China Land Realty Investment (BVI) Limited or the Company under the Agreement; and
- (c) to complete the Agreement in accordance with their terms.”

By Order of the Board  
**Zhong Hua International Holdings Limited**  
**HO Tsam Hung**  
*Chairman*

Hong Kong, 13th December, 2002

\* *For identification purposes only*

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## NOTICE OF SPECIAL GENERAL MEETING

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*Head office and principal place of business*

*in Hong Kong:*

Suites 3302–04, 33rd Floor

One International Finance Centre

1 Harbour View Street

Central

Hong Kong

*Notes:*

- (1) A member of the Company entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company. A form of proxy for use at the meeting is enclosed herewith. In the case of a joint holding, the form of proxy may be signed by any joint holder, but if more than one joint holder is present at the meeting, whether in person or by proxy, that one of the joint holders whose name stands first on the register of members in respect of the relevant joint holding shall alone be entitled to vote in respect thereof.
- (2) To be valid, the form of proxy together with any power of attorney or other authority under which it is signed or a notarially certified copy of that power of attorney or authority must be deposited with the Hong Kong branch share registrars of the Company, Tengis Limited at 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong not later than 48 hours before the time fixed for holding the meeting or any adjournment thereof.
- (3) Completion and return of the form of proxy will not preclude members from attending and voting at the special general meeting.