
IMPORTANT

If you are in any doubt about this document, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold all your shares in and/or warrants of China United Holdings Limited, you should at once hand this document and the enclosed form of proxy to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

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**MAJOR AND SHARE TRANSACTION REGARDING
THE ACQUISITION OF THE WHOLE OF THE BASEMENT OF
NO. 28 MARBLE ROAD
NORTH POINT HONG KONG
AND
INCREASE IN AUTHORISED SHARE CAPITAL
AND
ADOPTION OF A GENERAL MANDATE
FOR THE ISSUE OF NEW SHARES**

A notice convening a special general meeting of China United Holdings Limited to be held at 9:00 a.m. on Wednesday, 11th June, 1997 at the Business Centre Conference Room, PM Floor, Empire Hotel, 33 Hennessy Road, Wanchai, Hong Kong is set out on pages 59 to 61. Whether or not you propose to attend the special general meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions provided thereon as soon as possible.

26th May, 1997

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DEFINITIONS

In this circular, the following expressions have the following meanings unless the context indicates otherwise:-

“Agreement”	a conditional sale and purchase agreement dated 13th May 1997 made between the Vendor and the Purchaser in relation to the acquisition of the Property
“AS”	Asia Standard International Group Limited
“associates”	shall have the meaning ascribed to it by the Listing Rules
“Board”	the board of Directors
“Building”	the multi-storeyed commercial building to be erected on and intended to be known as No. 28, Marble Road, North Point, Hong Kong
“Completion”	completion of the Agreement
“Company”	China United Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the securities of which are listed on the Stock Exchange
“Consideration”	the sum of \$470 million, being the aggregate consideration payable under the Agreement
“Consideration Shares”	a total of 556,872,037 new Shares
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“ITC”	Paul Y-ITC Construction Holdings Limited
“Latest Practicable Date”	21st May, 1997, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Property”	the whole of the basement of the Building
“Purchaser”	Great Gains International Limited, a limited company incorporated in Hong Kong on 27th December, 1996 and a wholly-owned subsidiary of the Company

DEFINITIONS

“SDI Ordinance”	the Securities (Disclosure of Interests) Ordinance (Chapter 396 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of \$0.02 each in the share capital of the Company
“Special General Meeting”	the special general meeting of the Company to be held at the Business Centre Conference Room, PM Floor, Empire Hotel, 33 Hennessy Road, Wanchai, Hong Kong at 9:00 a.m. on Wednesday, 11th June, 1997, notice of which is set out on pages 59 and 61 of this circular
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	shall have the meaning ascribed to it by section 2(4) of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Vendor”	Get Rich Enterprises Limited, a limited company incorporated in Hong Kong on 18th November, 1993
“\$”	Hong Kong dollars

LETTER FROM THE MANAGING DIRECTOR



(incorporated in Bermuda with limited liability)

Directors:

Kwok Wai Tak (*Chairman*)
Lam How Mun, Peter (*Managing Director*)
Kwok Wai Ming
Tsui Chung Hou, Stanley
Cheng Ka On, Dominic*
Lau Kwong Ching, James*

* *independent non-executive*

Registered office:

Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

Principal office in Hong Kong:

1202 Evergo House
38 Gloucester Road
Wanchai
Hong Kong

26th May, 1997

*To the shareholders,
and for information only, the warrant holders*

Dear Sir or Madam,

**MAJOR AND SHARE TRANSACTION REGARDING
THE ACQUISITION OF THE WHOLE OF THE BASEMENT OF
NO.28 MARBLE ROAD NORTH POINT HONG KONG
AND
INCREASE IN AUTHORISED SHARE CAPITAL
AND
ADOPTION OF A GENERAL MANDATE
FOR THE ISSUE OF NEW SHARES**

INTRODUCTION

It was announced on 13th May, 1997 by the Board that the Agreement was entered into between the Vendor and the Purchaser on 13th May, 1997 whereby the Vendor agreed to sell and the Purchaser agreed to acquire the Property at the Consideration. The Vendor is an independent third party not associated with the Directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or their respective associates.

The transaction contemplated under the Agreement constitutes a major and share transaction of the Company. The purpose of this circular is to inform the shareholders of the details of the Agreement and to seek their approval of the resolutions to be proposed at the Special General Meeting.

LETTER FROM THE MANAGING DIRECTOR

THE PROPERTY

The Property comprises the whole of the basement of the Building. The Building comprises a total of thirty storeys with shops on the basement, the Ground Floor and the First Floor, car parks on the Second, Third and Fifth Floors and offices on the upper floors. The total gross floor area of the Building is approximately 300,022 sq.ft. excluding the areas of the car parks. The total gross floor area of the Property is approximately 15,748 sq.ft. The Building is ear-marked for strata sale. The Property was valued by an independent professional property valuer, namely Vigers Hong Kong Limited, at \$470 million as at 9th May, 1997 based on the assumption that the construction of the Building will be completed and the occupation permit in respect of the Building will be issued on or before 31st December, 1997. A copy of the aforementioned valuation report is annexed as Appendix III.

As additional information, the Company through the Purchaser entered into three agreements for sale and purchase with connection to the acquisition of Shop Units Nos. 5 and 6 on the Ground Floor and the whole of the Seventh Floor of the Building. Details of the same has been announced on 11th March, 1997 and further information thereof has been incorporated in a circular to shareholders dated 1st April, 1997.

THE CONSIDERATION

The Consideration shall be paid as to one half thereof amounting to \$235 million in cash and as to the remaining half thereof amounting to \$235 million by the issue and allotment of the Consideration Shares.

The Consideration has been determined at an arm's length basis after negotiation between the parties involved and in the light of the valuation report of the Property by the abovenamed professional property valuer.

The Consideration Shares shall be allotted and issued at an issue price of \$0.422 per Consideration Share which was the average closing price of the Shares quoted on the Stock Exchange for the preceding thirty trading days prior to 13th May, 1997.

According to the closing price of \$0.67 of the Shares as quoted on the Stock Exchange on 13th May, 1997, the issue price represented a discount of approximately 37%. According to the average closing price of the Shares for the preceding five, ten and twenty trading days immediately preceding 13th May, 1997, the issue price represented discounts of approximately 29.4%, 20.5% and 6.2% respectively.

CONDITIONS OF THE AGREEMENT

Pursuant to the Agreement, Completion will be conditional upon the fulfilment of the following conditions:-

- (a) the shareholders of the Company passing at a special general meeting of the Company expected to be convened not later than 10th June, 1997 the necessary resolutions approving the acquisition of the Property and the issue and allotment of the

LETTER FROM THE MANAGING DIRECTOR

Consideration Shares in payment of half of the purchase price for the acquisition of the Property;

- (b) the Vendor arranging and/or making available to the Purchaser on usual commercial terms or better a mortgage loan of \$235 million at an interest rate of 1.5% per annum over and above the prime rate quoted by the Hongkong and Shanghai Banking Corporation Limited to be repaid by 120 monthly instalments.
- (c) the due execution of corporate guarantee by AS (as to 80%) and ITC (as to 20%) for the due completion of the Building.
- (d) the Stock Exchange granting the listing of and permission to deal in the Consideration Shares.

AS and ITC, both companies being listed on the Stock Exchange, are the beneficial owners as to 80% and 20% respectively of the Vendor which is the developer of the Building.

Pursuant to the Agreement, condition (a) must be fulfilled on or before 11th June, 1997 or else the Agreement will become null and void unless extended by mutual agreement of the Company through the Purchaser and the Vendor. Under the Agreement, a refundable deposit of \$5 million has been paid to the Vendor's solicitors as stakeholder. Within 3 business days after the fulfilment of condition (a), a further deposit of \$15 million will be paid to the Vendor's solicitors as stakeholder with the residue thereof in cash and by the issue and allotment of the Consideration Shares payable at Completion which shall take place within 21 days after the fulfilment of condition (a) subject to and upon the fulfilment of all of the abovementioned conditions.

REASONS FOR THE ACQUISITION OF THE PROPERTY

As a corporate strategy, the Group focuses primarily on large-scale and quality commercial and residential properties in Hong Kong for long term investment and rental purposes.

The Directors intend to hold the Property as a long term investment and expect the acquisition will generate recurrent rental income to the Group and will in due course generate capital profit, if any, to the Group should the Purchaser subsequently dispose of the Property or parts thereof.

The Consideration was calculated with reference to the valuation of the Property and thus no premium will be accounted for on the transaction. However, the net assets of the Company will be increased by \$235 million as half of the Consideration will be satisfied by the issue and allotment of the Consideration Shares.

GENERAL MANDATE

Since the special general meeting of the Company held on 3rd April 1997, the general mandate then granted to the directors to issue new Shares has been used to a material extent. As at the date hereof, 258,000,000 Shares were issued by way of such general mandate and the said Shares represented approximately 19.89 per cent. of the then issued share capital of the Company. As the Directors consider that it is in the interests of the Company to be able to continue to build

LETTER FROM THE MANAGING DIRECTOR

up its assets and earning base, including by the issue of new Shares in appropriate circumstances, it is proposed to adopt a fresh general mandate for the Directors to issue new Shares to the full 20 per cent. level as permitted by the Listing Rules, applicable as a percentage of the share capital in issue at the date of the Special General Meeting.

INCREASE IN AUTHORISED SHARE CAPITAL

To cope with the Group's future development which may require further issue of Shares, the Directors propose to increase the authorised share capital of the Company from \$40,000,000 to \$60,000,000 by the creation of an additional 1,000,000,000 Shares. However, the Directors confirm that the Company presently has no intention to issue new Shares.

SPECIAL GENERAL MEETING

Set out on pages 59 to 61 is a notice convening the Special General Meeting.

A form of proxy for use at the Special General Meeting is enclosed. Whether or not you are able to attend the meeting, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return the form to the Company's Hong Kong principal office at 1202 Evergo House, 38 Gloucester Road, Wanchai, Hong Kong, as soon as possible and in any event so as to be received not less than 48 hours before the time appointed for holding the meeting. Completion and delivery of the form of proxy will not prevent you from attending and voting at the Special General Meeting if you so wish.

RECOMMENDATION

The Directors consider that the acquisition of the Property, the adoption of a new general mandate and the proposed increase in the authorised share capital of the Company are in the interests of the Company. Accordingly, the Directors recommend that shareholders of the Company vote in favour of each of the relevant resolutions to be proposed at the Special General Meeting.

GENERAL

The principal activity of the Company is investment holding. The Company's subsidiaries are principally engaged in the design, manufacturing and distribution of gift packaging for luxury consumer goods, manufacturing and distribution of switching power supplies, property investment and development, securities broking, investment holding and investment in marketable securities.

Application has been made to the Stock Exchange for the listing of and permission to deal in the Consideration Shares.

Your attention is also drawn to the financial information, property valuation report and other general information as set out in Appendices I, II, III and IV.

Yours faithfully
Lam How Mun Peter
Managing Director

1. ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS (UNAUDITED)

	<i>\$'million</i>
Audited consolidated net tangible assets of the Group as at 31st March, 1996	443.0
Placements of Shares for various acquisitions	201.1
Cash placements of Shares	133.2
Net proceeds from the issue of subscription warrants	22.1
Unaudited interim results up to 31st December, 1996	(26.4)
Exercise of share options	27.1
Adjusted consolidated net tangible assets up to Latest Practicable Date	<u>800.1</u>
Adjusted consolidated net tangible assets per Share (based on 1,606,804,971 Shares in issue)	<u>\$0.498</u>

2. INDEBTEDNESS

As the close of business on 31st March, 1997, being the latest practicable date for the purpose of this indebtedness statement, the Group had outstanding bank borrowings amounting to \$155.0 million, other borrowings amounting to approximately \$117.6 million and obligations under hire purchase contracts amounting to approximately \$1.3 million. The bank borrowings comprised mortgage loans of approximately \$86.9 million, bank overdrafts of approximately \$32 million, trust receipt loans of approximately \$25.1 million and a term loan of approximately \$11 million. The other borrowings comprised loans from financial institutions amounting to approximately \$112.7 million, a loan from a minority shareholder of a group company amounting to approximately \$2.4 million and an other loan of approximately \$2.5 million.

As at 31st March, 1997, the Group's banking facilities were secured by certain of the Group's fixed assets, investment properties and properties under development with an aggregate carrying value of approximately \$362.7 million and bank deposits of the Group amounting to approximately \$10 million.

The Group had provided guarantees to a bank to the extent of \$25 million granted to an associated company. As at 31st March, 1997, the amount of the facilities utilised by that associated company amounted to approximately \$1.1 million.

Save as aforesaid and apart from intra-group liabilities, none of the companies in the Group had outstanding as at the close of business on 31st March, 1997 any mortgages, charges, debentures, loan capital, bank overdrafts, loan or indebtedness in the nature of borrowings, debt securities or other similar indebtedness, finance leases or hire purchase commitments, or any guarantees or other material contingent liabilities.

3. WORKING CAPITAL

The Directors are of the opinion that after taking into account its internal resources and available borrowing facilities, the Group will, immediately following the completion of the Agreement, have sufficient working capital for its present requirements.

4. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31st March, 1996, the date to which the latest published audited financial statements of the Group were made up.

5. EXTRACT OF UNAUDITED INTERIM REPORT

The following is an extract of the unaudited interim report of the Group:

	<i>Notes</i>	Six months ended 30th September	
		1996 <i>HK\$'000</i>	1995 <i>HK\$'000</i>
Turnover		<u>192,380</u>	<u>152,572</u>
Operating loss			
– Continuing operations		(20,576)	(7,386)
Exceptional items			
– Continuing operations	1	<u>(15,144)</u>	<u>(2,732)</u>
		(35,720)	(10,118)
Share of profits less losses of associated companies		<u>12,815</u>	<u>4,802</u>
Loss before taxation		(22,905)	(5,316)
Taxation	2	<u>(848)</u>	<u>(450)</u>
Loss after taxation		(23,753)	(5,766)
Minority interests		<u>(2,657)</u>	<u>(504)</u>
Loss attributable to shareholders for the period		(26,410)	(6,270)
Retained profit brought forward		<u>385,495</u>	<u>543,950</u>
		359,085	537,680
Interim dividend		<u>–</u>	<u>–</u>
Retained profit carried forward		<u>359,085</u>	<u>537,680</u>
		HK Cents	HK Cents
Loss per share – basic	3	<u>(3.60)</u>	<u>(1.30)</u>

Notes:

1. Exceptional items – continuing operations

	Six months ended 30th September	
	1996 HK\$'000	1995 HK\$'000
Written back of provision for loss in fulfilling a bank guarantee for an associated company on disposal	9,400	–
Provision for diminution in value of long term investment	(600)	–
Loss on disposal of an interest in a subsidiary	(22,871)	–
Loss on dilution of equity interest in a subsidiary	(1,073)	–
Loss on disposal of investment properties	–	(4,237)
Gain on disposal of leasehold properties	–	1,505
	<u>(15,144)</u>	<u>(2,732)</u>

2. Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (1995: 16.5%) on the estimated assessable profits arising in Hong Kong for the period. Tax on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

No provision for deferred taxation has been made as the net effect of all timing differences is immaterial.

3. Loss per share

The calculation of loss per share is based on the loss attributable to shareholders for the six months ended 30th September, 1996 of HK\$26,410,000 (1995: HK\$6,270,000) and on the weighted average of 734,582,378 shares (1995: 484,633,959 shares) in issue during the period.

As the Group has incurred a loss for the six months ended 30th September, 1996, the fully diluted loss per share reflecting the outstanding warrants and options is not presented (1995: nil).

The following is an extract of the audited consolidated financial statements of the Group:

(a) Consolidated Profit and Loss Accounts

	Notes	1996 HK\$'000	1995 HK\$'000	1994 HK\$'000
TURNOVER	2			
Continuing operations		361,307	137,329	33,154
Discontinued operations		—	81,124	37,066
		<u>361,307</u>	<u>218,453</u>	<u>70,220</u>
OPERATING PROFIT/(LOSS) FROM:	3			
CONTINUING OPERATIONS BEFORE EXCEPTIONAL ITEMS		(57,735)	(60,801)	38,103
Exceptional items	4	<u>(74,339)</u>	<u>55,808</u>	—
Continuing operations		<u>(132,074)</u>	<u>(4,993)</u>	<u>38,103</u>
DISCONTINUED OPERATIONS BEFORE LOSS ON DISPOSAL		—	(27,548)	1,782
Loss on disposal of discontinued operations	7	<u>(1,932)</u>	<u>(138,455)</u>	<u>(4,680)</u>
Discontinued operations		<u>(1,932)</u>	<u>(166,003)</u>	<u>(2,898)</u>
OPERATING PROFIT/(LOSS)		<u>(134,006)</u>	<u>(170,996)</u>	<u>35,205</u>
Share of profits less losses of associated companies		<u>7,582</u>	<u>1,460</u>	<u>11,964</u>
PROFIT/(LOSS) BEFORE TAXATION		<u>(126,424)</u>	<u>(169,536)</u>	<u>47,169</u>
Taxation	8	<u>(1,293)</u>	<u>(841)</u>	<u>(6,107)</u>
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		<u>(127,717)</u>	<u>(170,377)</u>	<u>41,062</u>
Minority interests		<u>(3,014)</u>	<u>1,091</u>	<u>(584)</u>
NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS	9	<u>(130,731)</u>	<u>(169,286)</u>	<u>40,478</u>

APPENDIX II
AUDITED FINANCIAL INFORMATION

	<i>Notes</i>	1996 <i>HK\$'000</i>	1995 <i>HK\$'000</i>	1994 <i>HK\$'000</i>
NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS	9	(130,731)	(169,286)	40,478
Retained profits at beginning of year				
As previously reported		543,950	612,291	656,065
Prior year adjustment	10	(28,000)	—	—
As restated		515,950	612,291	656,065
		385,219	443,005	696,543
Revaluation reserve released on disposal of leasehold land and buildings, a subsidiary and an associated company	29/37	276	78,430	—
		385,495	521,435	696,543
Dividends	11	—	(5,485)	(84,252)
RETAINED PROFITS AT END OF YEAR	12	<u>385,495</u>	<u>515,950</u>	<u>612,291</u>
EARNINGS/(LOSS) PER SHARE				
– Basic	13	<u>(24.6) cents</u>	<u>(38.5) cents</u>	<u>9.7 cents</u>

(b) Consolidated Balance Sheets

	<i>Notes</i>	1996 <i>HK\$'000</i>	1995 <i>HK\$'000</i>
FIXED ASSETS	14	71,525	213,254
INVESTMENT PROPERTIES	15	130,518	128,797
PROPERTIES UNDER DEVELOPMENT	16	128,000	128,000
GOODWILL	17	197,206	206,999
INTERESTS IN ASSOCIATED COMPANIES	31	241,287	98,292
LONG TERM INVESTMENTS	18	6,280	5,718
OTHER LONG TERM ASSETS	19	81,128	16,530
CURRENT ASSETS	20	176,365	275,675
CURRENT LIABILITIES	21	(274,602)	(363,722)
NET CURRENT LIABILITIES		<u>(98,237)</u>	<u>(88,047)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		757,707	709,543
LONG TERM LOANS	24	(66,462)	(82,181)
LONG TERM PORTION OF LEASE PAYABLES	25	(1,103)	(1,788)
MINORITY INTERESTS		<u>(49,942)</u>	<u>(10,648)</u>
		<u>640,200</u>	<u>614,926</u>
SHARE CAPITAL	28	12,158	8,770
RESERVES	29	242,547	90,206
RETAINED PROFITS	12	<u>385,495</u>	<u>515,950</u>
		<u>640,200</u>	<u>614,926</u>

**Notes to the Financial Statements
31st March, 1996****1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****Basis of accounting**

These financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31st March, 1996. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Subsidiaries

A subsidiary is a company in which the Group has a long term investment of more than 50% of the equity voting rights.

Interests in subsidiaries are stated at cost unless, in the opinion of the directors, there have been permanent diminutions in value, when they are written down to values determined by the directors.

Associated companies

An associated company is a company, not being a subsidiary, in which the Group has a long term interest of not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associated companies is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's investments in associated companies are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any provisions for diminutions in values deemed necessary by the directors.

The results of associated companies are included in the Company's profit and loss account to the extent of dividends received and receivable. The interests in associated companies are stated at cost less any provisions for diminutions in values deemed necessary by the directors.

Joint venture companies established in the People's Republic of China (the "PRC")

Joint venture companies comprise companies operating in the PRC as independent business entities. The joint venture agreements with Chinese parties stipulate the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the joint venture assets are to be realised upon its dissolution. The profits and losses from operations and any distribution of surplus assets are shared by the joint venture parties either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreements.

A joint venture company is treated as:

- (i) an associated company if the Group holds between 20% and 50% of the joint venture company's registered capital for the long term and is in a position to exercise significant influence in their management; or
- (ii) a subsidiary if the Group has effective control over the joint venture company.

Goodwill/capital reserve on consolidation

Goodwill arising on consolidation of subsidiaries and on acquisition of associated companies represents the excess of the purchase consideration paid for subsidiaries and associated companies over the fair values ascribed to the net underlying assets acquired at the date of acquisition. Goodwill is amortised on the straight-line basis over a period of twenty years less provisions for any permanent diminutions in values deemed necessary by the directors.

Capital reserve on consolidation represents the excess of the fair values ascribed to the acquired subsidiaries or associated companies' net underlying assets at the date of acquisition over the purchase consideration for such subsidiaries or associated companies.

Upon disposal of subsidiaries or associated companies, the attributable amount of purchased goodwill which has not previously been charged to the profit and loss account or capital reserve on consolidation previously dealt with in reserves is realised and taken into account in arriving at the gain or loss on disposal of the investments.

Fixed assets

Fixed assets, other than construction in progress and investment properties, are stated at cost or valuation less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition and location for its intended use. Expenditure incurred after tangible fixed assets have been put into operation, such as *repairs and maintenance and overhaul* costs, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the tangible fixed assets, the expenditure is capitalised as an additional cost of the tangible fixed assets.

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the financial statements and any gain or loss resulting from their disposal is included in the profit and loss account.

Surpluses arising from the revaluation of fixed assets, other than investment properties, are dealt with in the fixed assets revaluation reserve. Revaluation deficits are charged to the profit and loss account to the extent that they exceed surpluses arising previously on individual assets. On the disposal of a revalued asset, the relevant portion of the revaluation reserve realised in respect of the previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land held under long term leases	Nil
Leasehold land held under medium term leases	Over the lease terms
Buildings	2% – 10% or over the lease terms
Leasehold improvements	10% – 20% or over the lease terms
Furniture and fixtures	8% – 25%
Plant, machinery and moulds	8% – 25%
Motor vehicles	25%

The Group has adopted the transitional provisions of Statement of Standard Accounting Practice No.2.117, "Property, plant and equipment" ("SSAP17"), issued by the Hong Kong Society of Accountants. According to the transitional provisions, it is permissible not to amortise the depreciable amount of the long term leasehold land in the current year. The prospective amortisation of the cost of long term leasehold land over the unexpired terms of the leases, including renewal periods, will commence with effect from 1st April, 1996.

Construction in progress

Construction in progress is stated at cost which includes the costs of construction and other direct costs attributable to the construction.

No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and put into use.

Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential. Such properties are not depreciated and are stated at their open market values, on the basis of annual professional valuations. Changes in the values of investment properties are dealt with as movements in the investment properties revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account.

Upon the disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuations is released to the profit and loss account.

Properties under development

Properties under development held for sale are stated at the lower of cost and net realisable value. Net realisable value is based on the future estimated net sales proceeds less further costs expected to be incurred to completion and disposal. Costs include the cost of land, construction, financing and other direct costs attributable to such properties.

Properties under development held for other purposes are stated at cost or valuation, performed by independent professional valuers, less any provisions for permanent diminutions in values deemed necessary by the directors.

Movements in the values of properties under development which are revalued are dealt with in the properties under development revaluation reserve. Revaluation deficits are charged to the profit and loss account to the extent that they exceed surpluses arising previously by individual assets.

The Group has adopted the transitional provisions of SSAP17 of not making regular revaluations of the properties under development stated at revalued amounts based on revaluation which were reflected in the prior year financial statements.

Capitalised borrowing costs

Interest incurred on borrowings to finance properties under development is capitalised during the period of active development and is included in the carrying value of this asset.

Long term investments

Investments held on a long term basis are stated at cost less provisions for any permanent diminutions in values deemed necessary by the directors on an individual investment basis.

Marketable securities

Marketable securities are stated at the lower of cost and market value on a portfolio basis.

Inventories

Inventories are stated at the lower of cost, on the weighted average basis, and net realisable value after making due allowance for any obsolete or slow-moving items. In the case of work in progress and manufactured finished goods, cost comprises direct materials, direct labour and an appropriate portion of overheads. Net realisable value is based on estimated selling prices less all costs to completion and costs to be incurred in selling and distribution.

Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the assets is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in fixed assets and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the profit and loss account so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals applicable to such operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Deferred taxation

Deferred taxation is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

Foreign currencies

Foreign currency transactions are recorded at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries and associated companies are translated to Hong Kong dollars at the rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

Revenue

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

- (i) on the sale of goods, properties and marketable securities, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control thereof;

- (ii) rental services, on an accruals basis;
- (iii) brokerage services, when the bought and sold notes are exchanged;
- (iv) interest, on a time proportion basis;
- (v) dividend income, when the right to receive payment is established; and
- (vi) from the rendering of assembly services, securities management and handling services, based on the period in which such services are rendered.

2. TURNOVER AND REVENUE

Turnover represents gross invoiced sales to customers less discounts and returns, proceeds from the sale of marketable securities, rental income from properties, brokerage commission income, interest and dividend income and income from rendering of assembly services and securities management and handling services.

Revenue from the following activities has been included in turnover:

	1996	1995
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales of goods	262,315	158,804
Proceeds from sale of marketable securities	69,003	25,373
Rental income	10,733	25,104
Brokerage commission income	9,772	-
Interest income	6,993	8,269
Dividend income	19	903
Rendering of services	2,472	-
	<u>361,307</u>	<u>218,453</u>

3. OPERATING PROFIT/(LOSS) BEFORE EXCEPTIONAL ITEMS

The Group's operating loss before exceptional items is arrived at after charging:

	1996 <i>HK\$'000</i>	1995 <i>HK\$'000</i>
Depreciation:		
Owned fixed assets	5,535	3,778
Leased fixed assets	753	829
	<u>6,288</u>	<u>4,607</u>
Amortisation of goodwill	8,680	3,531
Operating lease rentals for land and buildings	11,729	6,829
Interest on bank loans, overdrafts and other loans repayable:		
Within five years	17,011	32,742
After five years	1,297	-
Less: interest capitalised to properties under development	-	(964)
	<u>18,308</u>	<u>31,778</u>
Auditors' remuneration	1,356	1,154
Finance lease charges	257	112
Loss on disposal of fixed assets	1,266	919
Exchange loss, net	<u>-</u>	<u>3,127</u>
and after crediting:		
Gross rental income from investment properties	10,733	25,104
Less: outgoings	(3,055)	(964)
Net rental income from investment properties	<u>7,678</u>	<u>24,140</u>
Interest income	6,993	8,269
Dividend income from listed companies	19	903
Exchange gain, net	<u>946</u>	<u>-</u>

4. EXCEPTIONAL ITEMS

	<i>Notes</i>	1996 <i>HK\$'000</i>	1995 <i>HK\$'000</i>
Gain/(loss) on disposal of investment properties		(3,920)	178,734
Loss on disposal of land and buildings		-	(19,056)
Gain/(loss) on disposal of associated companies	<i>4(i)</i>	(476)	21,897
Gain/(loss) on disposal of interests in subsidiaries	<i>4(ii)</i>	1,079	(27,131)
Provision against insurance claim receivable		(4,000)	-
Provision for loss on deposits and loans made for a long term investment project	<i>4(iii)</i>	(34,722)	-
Provision for diminution in value of goodwill on consolidation of subsidiaries		(7,800)	-
Provision for permanent diminution in value of investment in an associated company		-	(23,225)
Provision for loss in fulfilling a bank guarantee for an associated company		-	(9,400)
Deficits on revaluation of investment properties	<i>15</i>	(24,500)	(6,909)
Deficit on revaluation of properties under development	<i>16</i>	-	(49,530)
Provision against loan receivable		-	(9,572)
		<u>(74,339)</u>	<u>55,808</u>

- (i) There was no goodwill to be reinstated in determining the loss on disposal of associated companies during the year.
- (ii) Goodwill on consolidation amounting to HK\$5,328,000 not previously amortised to the profit and loss account was debited in arriving at the gain on disposal of interests in subsidiaries for the year.
- (iii) The Group placed a deposit and made certain loans according to a preliminary agreement to an investee entity (the "entity") which held the entire interest of a semi-conductor manufacturing plant in France. Subject to the execution of the formal purchase and sale agreement between the major shareholder of the entity and the Group, the Group will be entitled to a 20% interest of the entity. For commercial and litigious reasons, the project may be suspended and the directors consider recoverability of deposits and loans made to be uncertain and accordingly, full provision has been made on ground of prudence.

5. DIRECTORS' REMUNERATION

	1996 HK\$'000	1995 HK\$'000
Fees for independent non-executive directors	–	20
Other emoluments for executive directors:		
Salaries, allowances and benefits in kind	14,849	10,128
	<u>14,849</u>	<u>10,148</u>

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

The remuneration of the above directors fell within the following bands:

	1996 Number of directors	1995 Number of directors
Nil – HK\$1,000,000	6	7
HK\$1,500,001 – HK\$2,000,000	–	1
HK\$2,500,001 – HK\$3,000,000	1	–
HK\$3,500,001 – HK\$4,000,000	–	1
HK\$5,000,001 – HK\$5,500,000	1	–
HK\$5,500,001 – HK\$6,000,000	1	–
HK\$7,000,001 – HK\$7,500,000	–	1
HK\$14,000,001 – HK\$14,500,000	–	2
	<u>9</u>	<u>12*</u>

During the year, options to subscribe for 6,000,000 and 38,000,000 ordinary shares of HK\$0.02 each of the Company at exercise prices of HK\$0.42 and HK\$0.45 each, respectively, were granted to certain directors.

Subsequent to the balance sheet date, options to subscribe for 1,800,000 and 1,000,000 ordinary shares of HK\$0.02 each of the Company at exercise prices of HK\$0.39 and HK\$0.41 each, respectively, were granted to certain directors.

In the absence of a readily available market value of options on the Company's shares, the directors are unable to arrive at an accurate assessment of the value of these options.

* Included benefits derived from the exercise of share options by three ex-directors amounted to HK\$31,860,000.

6. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included three (1995: four) directors, details of whose remuneration are set out in note 5 to the financial statements. The remuneration of the remaining two (1995: one) employee(s) disclosed pursuant to the Listing Rules of The Stock Exchange of Hong Kong Limited was as follows:

	1996 <i>HK\$'000</i>	1995 <i>HK\$'000</i>
Salaries, allowances and benefits in kind	<u>1,931</u>	<u>118</u>

The remuneration of the remaining two (1995: one) employee(s) fell within the following bands:

	1996 Number of employee(s)	1995 Number of employee(s)
Nil – HK\$1,000,000	1	–
HK\$1,000,001 – HK\$1,500,000	1	–
HK\$2,000,001 – HK\$2,500,000	–	1
	<u>2</u>	<u>1*</u>

* Included benefits derived from the exercise of share options by an ex-employee amounted to HK\$2,124,000.

7. LOSS ON DISPOSAL OF DISCONTINUED OPERATIONS

	1996 <i>HK\$'000</i>	1995 <i>HK\$'000</i>
Gain on disposal of an associated company	–	27
Loss on disposal of subsidiaries	–	(14,803)
Loss of fixed assets and inventories due to fire	–	(1,754)
Provision for loss on disposal of the major operation of a subsidiary	<u>(1,932)</u>	<u>(121,925)</u>
	<u>(1,932)</u>	<u>(138,455)</u>

8. TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (1995: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Tax on profits assessable in an overseas country has been calculated at the rates of taxation prevailing in that country.

	1996 <i>HK\$'000</i>	1995 <i>HK\$'000</i>
Group:		
Hong Kong – current year	844	791
– underprovision/(overprovision)	87	(39)
	<u>931</u>	<u>752</u>
Elsewhere	352	–
	<u>1,283</u>	<u>752</u>
Associated companies:		
Hong Kong	10	89
	<u>1,293</u>	<u>841</u>
Taxation charge for the year	<u>1,293</u>	<u>841</u>

9. NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS

The net loss attributable to shareholders dealt with in the financial statements of the Company is HK\$14,541,000 (1995: HK\$168,191,000).

10. PRIOR YEAR ADJUSTMENT

In prior years, changes in the values of properties under development were dealt with on a portfolio basis as movements in the revaluation reserve. If the total of this reserve was insufficient to cover a deficit, the excess of the deficit was charged to the profit and loss account. As a result of adopting the provisions of SSAP17, such changes in values must be dealt with on an individual asset basis so that surpluses arising cannot be used to offset deficits on different assets. In restating the financial statements for the year ended 31 March 1995, the loss for the year has been increased by HK\$28,000,000 and the movement on the revaluation reserve increased by the same amount. The cumulative effect of this change in accounting policy has been to reduce retained profits and increase the revaluation reserve at 1st April, 1995 by HK\$28,000,000.

11. DIVIDENDS

	1996 <i>HK\$'000</i>	1995 <i>HK\$'000</i>
Interim – Nil (1995: 1.25 cents per ordinary share)	<u>–</u>	<u>5,485</u>

12. RETAINED PROFITS

	1996 <i>HK\$'000</i>	1995 <i>HK\$'000</i>
The Company and subsidiaries	376,945	514,996
Associated companies	<u>8,550</u>	<u>954</u>
	<u>385,495</u>	<u>515,950</u>

13. EARNINGS/(LOSS) PER SHARE

The calculation of the loss per share is based on the net loss attributable to shareholders of HK\$130,731,000 (1995: HK\$169,286,000) and on the weighted average of 530,819,327 shares (1995: 439,685,883 shares adjusted for 1 to 5 division of shares) in issue during the year.

The loss per share figure for 1995 has been restated to reflect the effects of the provisions of SSAP 17 which does not allow either any revaluation reserves realised on the disposal of certain fixed assets to form part of the gain or loss on disposal or the surpluses arising from changes in the value of certain fixed assets to offset deficits on different assets.

Since the Group incurred a loss for the year, the fully diluted loss per share reflecting the outstanding options has not been presented.

14. FIXED ASSETS

Group	Leasehold land and buildings HK\$'000	Leasehold improve- ments HK\$'000	Furniture and fixtures HK\$'000	Plant, machinery and moulds HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
Cost or valuation:							
At beginning of year	77,555	6,970	49,735	147,264	5,350	1,305	288,179
Additions	-	1,861	1,531	14,021	1,438	599	19,450
Transfer from investment properties	18,300	-	-	-	-	-	18,300
Disposals	(52,265)	(2,467)	(41,619)	(131,431)	(1,226)	(1,305)	(230,313)
Transfer to investment properties	(7,683)	-	-	-	-	-	(7,683)
Exchange realignment	-	-	25	-	19	-	44
At 31st March, 1996, at cost	<u>35,907</u>	<u>6,364</u>	<u>9,672</u>	<u>29,854</u>	<u>5,581</u>	<u>599</u>	<u>87,977</u>
Accumulated depreciation:							
At beginning of year	688	1,450	4,021	67,224	1,542	-	74,925
Provided during the year	541	757	1,117	2,762	1,111	-	6,288
Disposals	(587)	-	(1,715)	(62,055)	(414)	-	(64,771)
Exchange realignment	-	-	6	-	4	-	10
At 31st March, 1996	<u>642</u>	<u>2,207</u>	<u>3,429</u>	<u>7,931</u>	<u>2,243</u>	<u>-</u>	<u>16,452</u>
Net book value:							
At 31st March, 1996	<u>35,265</u>	<u>4,157</u>	<u>6,243</u>	<u>21,923</u>	<u>3,338</u>	<u>599</u>	<u>71,525</u>
At 31st March, 1995	<u>76,867</u>	<u>5,520</u>	<u>45,714</u>	<u>80,040</u>	<u>3,808</u>	<u>1,305</u>	<u>213,254</u>

The net book values of the Group's leasehold land and buildings as at 31st March, 1996 are analysed as follows:

	Land and buildings HK\$'000
Long term leases in Hong Kong	24,754
Medium term leases in the People's Republic of China	10,511
	<u>35,265</u>

The net book value of assets held under finance leases included in the total amount of fixed assets at 31st March, 1996 amounted to HK\$3,066,675 (1995: HK\$3,544,000).

15. INVESTMENT PROPERTIES

	Group	
	1996 HK\$'000	1995 HK\$'000
Balance at beginning of year, at valuation	128,797	185,500
Arising on acquisition of subsidiaries	–	519,369
Eliminated on disposal of a subsidiary	(600)	(58,500)
Additions, at cost	62,291	15,159
Disposals	(30,785)	(532,000)
Transfer from fixed assets	7,683	4,254
Transfer to fixed assets	(18,300)	–
Revaluation deficit	(24,500)	(6,909)
Exchange realignment	5,932	1,924
	<u>130,518</u>	<u>128,797</u>
At 31 March, at valuation	<u>130,518</u>	<u>128,797</u>
Analysis by geographical location:		
	1996	1995
	HK\$'000	HK\$'000
Freehold property situated in Australia	76,627	95,937
Freehold property situated in Canada	6,281	–
Long term leasehold properties		
situated in Hong Kong	41,650	18,900
Medium term leasehold properties		
situated in Hong Kong	–	8,000
Medium term leasehold properties situated		
in the People's Republic of China	5,960	5,960
	<u>130,518</u>	<u>128,797</u>

The investment property situated in Australia was revalued by an independent professional valuer, Stanton Hiller Parker (Qld) Pty. Limited, on an open market basis, based on its existing use at A\$12,750,000, as at 31st March, 1996.

The investment property situated in Canada was revalued by an independent professional valuer, Wernick & Company (1988) Ltd., on an open market basis, based on its existing use at C\$1,100,000, as at 31st March, 1996.

The investment properties situated in Hong Kong and the People's Republic of China were revalued by an independent professional valuer, Vigers Hong Kong Limited, on an open market basis, based on their existing use, at HK\$47,610,000, as at 31st March, 1996.

The net deficits arising on the revaluations of investment properties for the year amounting to HK\$24,500,000 (1995: HK\$6,909,000) have been charged to the profit and loss account.

16. PROPERTIES UNDER DEVELOPMENT

	Group	
	1996 HK\$'000	1995 HK\$'000
Balance at beginning of year	149,530	–
Arising on acquisition of a subsidiary	–	108,000
Additions, at cost	–	566
Interest capitalised	–	964
Reclassified from fixed assets	–	40,000
	<u>149,530</u>	<u>149,530</u>
Balance at 31st March, at cost	149,530	149,530
Revaluation surplus	28,000	28,000
Revaluation deficit	(49,530)	(49,530)
	<u>(21,530)</u>	<u>(21,530)</u>
Balance at 31st March, at 1995 valuation	<u>128,000</u>	<u>128,000</u>

At 31st March, 1995, the properties under development were revalued by an independent professional valuer, Vigers Hong Kong Limited, based on their development/redevelopment potential, at HK\$128,000,000. The revaluation surplus of HK\$28,000,000 was credited to the properties under development revaluation reserve and the revaluation deficit of HK\$49,530,000 was charged to the profit and loss account in 1995.

The Group's properties under development are all situated in Hong Kong and are held under long term leases.

17. GOODWILL

	1996 HK\$'000	1995 HK\$'000
Cost:		
At beginning of year	210,530	-
Arising from the acquisition of interests in subsidiaries	12,015	210,530
Released on disposal of an interest in a subsidiary	(5,733)	-
At 31st March	<u>216,812</u>	<u>210,530</u>
Accumulated amortisation:		
At beginning of year	3,531	-
Provided during the year	8,680	3,531
Provision for diminution in value	7,800	-
Written back on disposal of an interest in a subsidiary	(405)	-
At 31st March	<u>19,606</u>	<u>3,531</u>
Net book value at 31st March	<u>197,206</u>	<u>206,999</u>

18. LONG TERM INVESTMENTS

	Group	
	1996 HK\$'000	1995 HK\$'000
At cost:		
Investments listed in the People's Republic of China	1,468	1,468
Unlisted investments	5,542	5,242
	7,010	6,710
Less: Provision for diminution in value	(730)	(992)
	<u>6,280</u>	<u>5,718</u>
Market value of listed investments at 31st March	<u>738</u>	<u>476</u>

19. OTHER LONG TERM ASSETS

	Group	
	1996	1995
	<i>HK\$'000</i>	<i>HK\$'000</i>
Deposit for the purchase of an investment property	39,750	–
Deposit for the acquisition of a share in The Stock Exchange of Hong Kong Limited	13,600	–
Loan receivable	10,000	–
Shares in The Stock Exchange of Hong Kong Limited, at cost	16,000	16,000
Shares in Hong Kong Futures Exchange Limited	1,208	–
Admission fee paid to Hong Kong Securities Clearing Company Limited	100	150
Deposits with The Stock Exchange of Hong Kong Limited	200	200
Contribution in cash to Central Clearing and Settlement System Guarantee Fund	170	180
Deposits with Hong Kong Futures Exchange Limited	100	–
	<u>81,128</u>	<u>16,530</u>

20. CURRENT ASSETS

	<i>Notes</i>	Group	
		1996	1995
		<i>HK\$'000</i>	<i>HK\$'000</i>
Cash and bank balances		35,856	45,380
Marketable securities	22	4,718	38,158
Accounts receivable, prepayments and other receivables		80,715	111,883
Inventories	23	55,076	80,254
		<u>176,365</u>	<u>275,675</u>

21. CURRENT LIABILITIES

	<i>Notes</i>	Group	
		1996	1995
		<i>HK\$'000</i>	<i>HK\$'000</i>
Bank loans and overdrafts	24	96,121	109,245
Other loans	24	75,266	12,000
Accounts payable, accrued liabilities, deposits received and other provisions		89,433	232,838
Current portion of lease payables	25	1,398	806
Due to minority shareholders of subsidiaries	26	10,859	8,118
Taxation		1,525	715
		<u>274,602</u>	<u>363,722</u>

22. MARKETABLE SECURITIES

	Group	
	1996	1995
	<i>HK\$'000</i>	<i>HK\$'000</i>
Investments listed in Hong Kong, at cost	13,260	49,777
<i>Less: Provision to mark to market</i>	(8,542)	(11,619)
	<u>4,718</u>	<u>38,158</u>
Market value of listed investments at 31st March	<u>4,718</u>	<u>38,158</u>

23. INVENTORIES

	Group	
	1996	1995
	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials	31,627	55,992
Work in progress	12,173	7,998
Finished goods	11,276	16,264
	<u>55,076</u>	<u>80,254</u>

24. LOANS AND OVERDRAFTS

	Group	
	1996 <i>HK\$'000</i>	1995 <i>HK\$'000</i>
Bank loans and overdrafts:		
Secured	132,737	108,960
Unsecured	141	17,466
	<u>132,878</u>	<u>126,426</u>
Other loans, secured	104,971	77,000
	<u>237,849</u>	<u>203,426</u>

The maturities of the above amounts are as follows:

	Group	
	1996 <i>HK\$'000</i>	1995 <i>HK\$'000</i>
Repayable:		
Within one year or on demand	171,387	121,245
In the second year	13,141	68,263
In the third to fifth years, inclusive	47,485	11,253
After five years	5,836	2,665
	<u>237,849</u>	<u>203,426</u>
Portion classified as current liabilities:		
Bank loans and overdrafts	(96,121)	(109,245)
Other loans	(75,266)	(12,000)
	<u>(171,387)</u>	<u>(121,245)</u>
Long term portion	<u>66,462</u>	<u>82,181</u>

The repayment dates and interest rates charged on and assets pledged against loans, other than bank loans and overdrafts of the Group, are as follows:

Repayment date commencing	Interest rates charged	Security	Other loan balances HK\$'000
On demand	1% over best lending rate on Hong Kong Dollar	The entire issued share capital of a subsidiary and loan to an associated company with carrying value of HK\$20,165,000	2,026
On demand	5% over best lending rate on Hong Kong Dollar	Marketable securities with carrying value of HK\$4,450,000	3,433
21st March, 1996	3% over Singapore Interbank Offered Rate	Investment property with carrying value of HK\$76,627,000	34,512
11th August, 1996	1.75% over best lending rate on Hong Kong Dollar	Property under development with carrying value of HK\$60,000,000	65,000
			104,971

25. LEASE PAYABLES

There were commitments under finance leases at the balance sheet date as follows:

	Group	
	1996 HK\$'000	1995 HK\$'000
Amounts payable:		
Within one year	1,398	806
In the second year	739	1,239
In the third to fifth years, inclusive	364	549
	2,501	2,594
Portion classified as current liabilities	(1,398)	(806)
Long term portion	1,103	1,788

26. DUE TO MINORITY SHAREHOLDERS OF SUBSIDIARIES

The amounts due to minority shareholders of subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

27. DEFERRED TAXATION

There are no significant potential deferred tax liabilities for which provision has not been made.

The revaluations of the Group's fixed assets and investment properties do not constitute timing differences because the realisation of the revaluation surpluses would not be subject to taxation. Therefore, the amount of potential deferred tax thereon has not been quantified.

28. SHARE CAPITAL

	1996 HK\$'000	1995 HK\$'000
<i>Authorised:</i>		
1,000,000,000 ordinary shares of HK\$0.02 each	<u>20,000</u>	<u>20,000</u>
<i>Issued and fully paid:</i>		
607,923,116 ordinary shares of HK\$0.02 each (1995: 438,476,450 ordinary shares)	<u>12,158</u>	<u>8,770</u>

Shares

During the year, the following changes in the Company's share capital took place and, as a result, 169,446,666 ordinary shares of HK\$0.02 each were issued:

- (i) On 23rd May, 1995, 63,166,666 ordinary shares of HK\$0.02 each were issued at HK\$1.08 each as part of the consideration for the Group's acquisition of 47% of the issued share capital of Consco Holdings Limited, a then 33% owned associated company of the Company.
- (ii) On 29th July, 1995, 3,000,000 ordinary shares of HK\$0.02 each were issued to an option holder at HK\$0.80 each, for a total cash consideration of HK\$2,400,000.
- (iii) On 11th October, 1995, 36,280,000 ordinary shares of HK\$0.02 each were issued at HK\$0.73 each as part of the consideration of the purchase of an investment property situated in Canada.
- (iv) On 27th November, 1995, 53,000,000 ordinary shares of HK\$0.02 each were issued at HK\$0.75 each as full consideration for the purchase of an investment property situated in Hong Kong.

- (v) On 29th February, 1996, 8,000,000 ordinary shares of HK\$0.02 each were issued to an option holder at HK\$0.45 each, for a total cash consideration of HK\$3,600,000.
- (vi) Between 22nd March, 1996 and 25th March, 1996, 6,000,000 ordinary shares of HK\$0.02 each were issued to certain option holders at HK\$0.42 each, for a total cash consideration of HK\$2,520,000.

Warrants

On 30th September, 1995, 88,685,890 warrants each entitling the holders thereof to subscribe in cash for one fully paid ordinary share of HK\$0.02 each at HK\$1.80 per share lapsed.

Share options

Movements in share options to subscribe for shares in the Company are as follows:

	Options to subscribe for one ordinary share of HK\$0.02 each at an exercise price of			Total
	HK\$0.42	HK\$0.45	HK\$0.80	
Number of share options				
At beginning of year	-	-	-	-
Options granted during the year	17,250,000	39,900,000	23,764,311	80,914,311
Options exercised during the year	(6,000,000)	(8,000,000)	(3,000,000)	(17,000,000)
Options cancelled during the year	-	-	(20,764,311)	(20,764,311)
At 31st March, 1996	<u>11,250,000</u>	<u>31,900,000</u>	<u>-</u>	<u>43,150,000</u>

Subsequent to the balance sheet date, the following changes in the options to subscribe for shares in the Company took place:

- (i) Between 19th April, 1996 and 22nd April, 1996, share options were granted to subscribe for a total of 9,200,000 ordinary shares of HK\$0.02 each of the Company at an exercise price of HK\$0.39 each exercisable within ten years from their respective dates of grant. Between 26th April, 1996 and 3rd May, 1996, 7,000,000 ordinary shares of HK\$0.02 each were issued to option holders at HK\$0.39 each pursuant to the exercise of their option rights.

- (ii) Between 24th April, 1996 and 29th April, 1996, share options were granted to subscribe for 4,300,000 ordinary shares of HK\$0.02 each of the Company at an exercise price of HK\$0.41 each exercisable within ten years from their respective dates of grant. On 14th May, 1996, 300,000 ordinary shares of HK\$0.02 each were issued to an option holder at HK\$0.41 each pursuant to the exercise of his option rights.

29. RESERVES

Group

	Share premium account HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Exchange fluctuation reserve HK\$'000	Capital reserve on consolidation HK\$'000	Revaluation reserves		Properties under development HK\$'000	Total HK\$'000
						Land and buildings HK\$'000	Investment properties HK\$'000		
At beginning of year	17,119	99	33,455	1,273	9,984	276	-	28,000	90,206
Exercise of options	8,180	-	-	-	-	-	-	-	8,180
Issue of new shares for:									
Acquisition of investment properties	64,449	-	-	-	-	-	-	-	64,449
Acquisition of interest in a subsidiary	66,957	-	-	-	-	-	-	-	66,957
Share of revaluation surplus of an associated company	-	-	-	-	-	-	9,205	-	9,205
Revaluation reserve released on disposal of land and buildings	-	-	-	-	-	(276)	-	-	(276)
Capital reserve arising on acquisition of a subsidiary	-	-	-	-	159	-	-	-	159
Exchange adjustments on translation of:									
An overseas subsidiary	-	-	-	3,572	-	-	-	-	3,572
Overseas associated companies	-	-	-	95	-	-	-	-	95
At 31st March, 1996	<u>156,705</u>	<u>99</u>	<u>33,455</u>	<u>4,940</u>	<u>10,143</u>	<u>-</u>	<u>9,205</u>	<u>28,000</u>	<u>242,547</u>
Amount above retained by associated companies at 31st March, 1996	-	-	-	95	-	-	9,205	-	9,300

30. PARTICULARS OF THE COMPANY'S PRINCIPAL SUBSIDIARIES AT 31ST MARCH, 1996 ARE AS FOLLOWS:

Company	Place of incorporation/ registration and operations	Issued/ registered share capital and paid up capital	Percentage of attributable equity interest held by		Principal activities
			Company	Group	
Action Plus Investments Limited	British Virgin Islands	US\$1	-	100%	Investment holding
* Chung Nam Commodities ** Limited (Formerly Diamount Commodities Limited)	Hong Kong	HK\$10,000,000	-	100%	Commodities broking
** Chung Nam Finance Limited (Formerly Capital Diamount Finance Limited)	Hong Kong	HK\$10,000	-	100%	Financial services
Chuang Hing Limited	British Virgin Islands	US\$1	-	100%	Investment holding
** Chung Nam Securities Limited (Formerly CU & D Brokerage Limited)	Hong Kong	HK\$16,800,000	-	100%	Brokerage and financial services
** Chung Nam Holdings Limited (Formerly Diamount (Holdings) Limited)	Hong Kong	HK\$17,200,000	-	100%	Investment holding
** Chung Nam Nominees Limited (Formerly Diamount (Nominees) Limited)	Hong Kong	HK\$10,000	-	100%	Brokerage and financial services
Chung Nam Sea Land Infrastructure Limited	British Virgin Islands	US\$1	-	100%	Investment holding
* Conesco Holdings Limited **	Hong Kong	HK\$100,000	-	80%	Investment holding

APPENDIX II
AUDITED FINANCIAL INFORMATION

Company	Place of incorporation/ registration and operations	Issued/ registered share capital and paid up capital	Percentage of attributable equity interest held by		Principal activities
			Company	Group	
Finch Investments Limited	Jersey	US\$3,100	-	100%	Investment holding
First Asia (China) Limited	Hong Kong	HK\$41,942,945	100%	-	Investment holding
First Asia Financial Services Limited	Hong Kong	HK\$5,000,000	-	100%	Dormant
First Asia Investments Limited	Cayman Islands	US\$2	100%	-	Investment holding
First Asia Properties Limited	British Virgin Islands	US\$2	-	100%	Investment property holding
Fullcorp Assets Ltd.	British Virgin Islands	US\$1	-	100%	Investment property holding
**Gainwin Packaging Limited	Hong Kong	HK\$2	-	95%	Dormant
**Giant Base Limited	Hong Kong	HK\$10,000	-	100%	Investment holding
Goldpac Trading Investments Limited	British Virgin Islands	US\$100	-	100%	Investment holding
Greatly Fareast Limited	Hong Kong	HK\$2	-	100%	Property investment
Ian Weng International Limited	Macau	MOP100,000	-	100%	Dormant
Join Win Resources Limited	British Virgin Islands	US\$1	-	100%	Investment holding
Jubilord Limited	Hong Kong	HK\$10,000	-	100%	Property investment

APPENDIX II

AUDITED FINANCIAL INFORMATION

Company	Place of incorporation/ registration and operations	Issued/ registered share capital and paid up capital	Percentage of attributable equity interest		Principal activities
			held by Company	Group	
** Kam Kwong Company Limited (Formerly Yetwin Company Limited)	Hong Kong	HK\$17,300,000	-	100%	Brokerage and financial services
** Kowan Investments Limited	Hong Kong	HK\$27,000,000	-	100%	Investment holding
Lockrealm Holdings Limited	British Virgin Islands	US\$1	-	100%	Investment holding
Long Bloom Enterprises Limited	Hong Kong	HK\$5,300,000	-	100%	Investment holding
Long Glory Limited	British Virgin Islands	US\$1	-	100%	Investment holding
Main Champion Limited	British Virgin Islands	US\$1	-	100%	Investment holding
Matabele Limited	British Virgin Islands/Canada	US\$1	-	100%	Property investment
Newick Group Limited	British Virgin Islands/ Hong Kong	US\$1	-	100%	Property investment
Oriental Source Developments Ltd.	British Virgin Islands	US\$1	-	100%	Investment holding
** Permare Production Inc.	British Virgin Islands/ People's Republic of China	US\$20	-	95%	Manufacture of gift packaging
** Pioneer Glory Properties Limited	British Virgin Islands/ Australia	US\$2	-	100%	Property investment
** Qualipak Manufacturing Limited	Hong Kong	HK\$17,372,400	-	95%	Investment holding

APPENDIX II
AUDITED FINANCIAL INFORMATION

Company	Place of incorporation/ registration and operations	Issued/ registered share capital and paid up capital	Percentage of attributable equity interest		Principal activities
			held by Company	Group	
**Qualipak Production Inc.	British Virgin Islands/ People's Republic of China	US\$10,000	-	95%	Manufacture of gift packaging
**Qualipak Wonder Inc.	British Virgin Islands/ People's Republic of China	US\$10,000	-	95%	Manufacture of gift packaging
**Qualipak Vision Inc.	British Virgin Islands	US\$10,000	-	95%	Dormant
**Quali-Trade Investments Limited	British Virgin Islands	US\$4,980,000	-	100%	Investment holding
Rich Resources Enterprises Limited	Hong Kong	HK\$100	-	100%	Property investment
Rich Reward Holdings Limited	British Virgin Islands	US\$100	-	51%	Investment holding
Richway Investments Limited	British Virgin Islands	US\$1	-	100%	Investment holding
Righteam Limited	Hong Kong	HK\$2	100%	-	Corporate services
Ripplevale Limited	Hong Kong	HK\$2	-	100%	Investment holding
Sentomi SPS Manufacturing Limited	Hong Kong	HK\$7,000,000	-	51%	Trading of switching power supply
Sentomi SPS Manufacturing (China) Limited	British Virgin Islands/ People's Republic of China	US\$1	-	51%	Manufacture of switching power supply

Company	Place of incorporation/ registration and operations	Issued/ registered share capital and paid up capital	Percentage of attributable equity interest held by		Principal activities
			Company	Group	
South Lanka Holdings Limited	British Virgin Islands	US\$100	100%	-	Investment holding
South Textiles Lanka (Private) Limited	Sri Lanka	US\$1	-	100%	Dormant
Sun Year Enterprises Limited	Hong Kong	HK\$2	-	100%*	Property investment
Sunny Point Investments Limited	British Virgin Islands	US\$1	-	100%	Investment holding
* Tianjin Development ** Company Limited	Hong Kong	HK\$100,000	-	72%	Investment holding
Uright Investments Limited	British Virgin Islands	US\$1	-	100%	Investment holding
Valujet Limited	British Virgin Islands/ Hong Kong	US\$1	-	100%	Investment holding
Victory Concord Limited	Hong Kong	HK\$2	-	100%	Investment holding
**Wisdom Way Limited	Hong Kong	HK\$2	-	95%	Property investment

* Acquired during the year

** Audited by public accountants other than Ernst & Young

The subsidiaries acquired during the year contributed HK\$15,000 to the Group's turnover and a loss of HK\$913,000 to the Group's operating loss.

The subsidiary disposed of during the year did not contribute any turnover to the Group. A loss of HK\$60,000 was contributed to the Group's operating loss.

31. INTERESTS IN ASSOCIATED COMPANIES

	Group	
	1996	1995
	<i>HK\$'000</i>	<i>HK\$'000</i>
Share of net assets, other than goodwill	177,880	64,047
Loans to associated companies	63,407	34,245
	<u>241,287</u>	<u>98,292</u>

The Group's share of the post-acquisition accumulated reserves, other than the exchange fluctuation reserves, of associated companies at 31st March, 1996 was HK\$17,755,000 (1995: HK\$954,000).

The Group's share of post-acquisition exchange fluctuation reserve of associated companies at 31st March, 1996 was HK\$95,000 (1995: Nil).

Particulars of the associated companies are as follows:

Name	Place of incorporation/ registration	Percentage of attributable equity interest held by the Group	Principal activities
Blissful Enterprises Limited	British Virgin Islands	33.3%	Investment holding
Consco Investment Company Limited	Hong Kong	27%	Investment holding
Profin Developments, Inc.	Canada	50%	Property development
The Next Homes, Inc.	Canada	50%	Property development
Tianjin International Building Company Limited	People's Republic of China	21.6%	Property investment
Zhangjiang Reinforced Polyester Pipe Company Limited	People's Republic of China	32.5%	Manufacture of water pipes

32. COMMITMENTS

	Group	
	1996	1995
	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital commitments in respect of property, plant and equipment:		
Contracted for	152	–
Authorised, but not contracted for	567	–
	<u>719</u>	<u>–</u>
Other capital commitments:		
Contracted for	50,000	14,600
Authorised, but not contracted for	–	19,953
	<u>50,000</u>	<u>34,553</u>
Annual commitments payable in the following year under non-cancellable operating leases for land and buildings expiring:		
Within one year	3,563	752
In the second to fifth years, inclusive	5,995	7,650
After five years	1,034	568
	<u>10,592</u>	<u>8,970</u>

33. CONTINGENT LIABILITIES

	Company	
	1996 HK\$'000	1995 HK\$'000
Guarantees given for loan facilities granted to:		
Wholly-owned subsidiaries	238,430	103,600
Non wholly-owned subsidiaries	48,972	—
	<u>287,402</u>	<u>103,600</u>

During the year ended 31st March, 1995, Devco Showa (Private) Limited ("Devco"), a supplier of South Textiles Lanka (Private) Limited ("South Textiles"), a wholly owned subsidiary of the Company, filed a law suit in Sri Lanka against South Textiles claiming for the alleged non-payment of goods supplied amounting to Rupees 1,890,000 (HK\$246,000) together with damages and legal interest thereon of approximately Rupees 200,000 (HK\$26,000) per day starting from 5th March, 1993. South Textiles has lodged a counter-claim against Devco for approximately Rupees 22,422,000 (HK\$2,915,000) for non-compliance with contractual obligations. Devco proposed to settle the case on receiving payment for the full amount of the goods supplied by them but, based on the advice of its legal counsel, South Textiles has rejected the proposal. No provision has been made in the financial statements for this litigation.

34. PLEDGE OF ASSETS

At 31st March, 1996, certain of the Group's fixed assets, investment properties, properties under development, fixed deposits, equity shares in two subsidiaries and loan to an associated company with a total net book value of HK\$523,014,000 (1995: HK\$288,722,000) were pledged to secure loan facilities granted to the Group.

35. RELATED PARTY TRANSACTIONS

- (i) On 14th September, 1994, Kam Kwong Company Limited ("KKCL") a wholly-owned subsidiary of the Company, entered into an agreement with Mr. Lam Pun Tcheng, a director of KKCL to acquire from him a share in The Stock Exchange of Hong Kong Limited at a consideration of HK\$13,600,000. The amount was fully paid by KKCL prior to the end of 31st March, 1996. The transaction was duly completed on 8th May, 1996.
- (ii) On 20th November, 1995, Chung Nam Holdings Limited ("CNHL") (formerly Diamount (Holdings) Limited), a wholly-owned subsidiary of the Company, acquired the entire issued share capital of Chung Nam Commodities Limited ("CNCL") (formerly Diamount Commodities Limited) for a cash consideration of HK\$2,600,000 from Zai Chung Ling and Lu Tsi Yen, directors of CNHL.

36. POST BALANCE SHEET EVENTS

- (i) On 10th April, 1996, the Company and C.A. Pacific Securities Limited ("C.A. Pacific") entered into a placement arrangement pursuant to which C.A. Pacific placed, on behalf of the Company, an aggregate of 70,000,000 new ordinary shares of HK\$0.02 each at HK\$0.425 per share to independent third parties. The proceeds, net of expenses, derived from this placement of shares amounted to approximately HK\$29,000,000.
- (ii) On 19th April, 1996, Chung Nam Sea Land Infrastructure Limited ("CNSL"), a wholly-owned subsidiary of the Company, acquired the rights, benefits and remedies under a joint venture contract for a sino-foreign co-operative joint venture, Nanhai Guimu Highway Co. Ltd. ("the Joint Venture"), from an independent third party (the "Vendor"), at a consideration of HK\$50,000,000. The consideration was satisfied by cash of HK\$25,000,000 and by the issue of 43,103,000 ordinary shares of the Company of HK\$0.02 each issued at HK\$0.58 per ordinary share.

Pursuant to the acquisition agreement, the Vendor guaranteed CNSL a minimum fixed annual return of the greater of RMB9,720,000 or 40% of the net distributable profits of the Joint Venture for the first six years commencing from 1st January, 1996.

- (iii) On 12th June, 1996, the Group's investment property situated in Canada, which was valued at 1,100,000 Canadian dollars as at 31st March, 1996, together with the entire issued share capital of CNSL were pledged to secure a loan facility of HK\$30,000,000 granted to the Company.
- (iv) On 26th July, 1996, Chuang Hing Limited ("CHL"), a wholly-owned subsidiary of the Company, disposed of 5,999,512 ordinary shares of HK\$1.00 each held in Qualipak Manufacturing Limited ("QML") to a listed investment fund in the United Kingdom ("the Purchaser"). The purchaser also subscribed directly to QML for a further 666,632 new ordinary shares of HK\$1.00 each in QML. The aggregate cash proceeds received by the Group for the above amounted to approximately US\$6,500,000.

CHL granted a profit guarantee to the Purchaser in the event that QML's audited consolidated profits after tax for the two years ended 31st March, 1996 and 31st March, 1997 fail to meet HK\$20 million and HK\$32 million respectively (the "Guaranteed Profits"). In such circumstances CHL will pay the Purchaser cash equivalent to the profit shortfall should it be less than 10% of the Guaranteed Profits.

The above guarantee to the Purchaser is further guaranteed by the Company in the event of default. In addition, the Company has also guaranteed that it will repurchase the shares at 1.25 times the consideration paid by the Purchaser if:

- (a) QML declares or pays in total any dividends for the year ended 31st March, 1996 in excess of HK\$10,000,000;
- (b) the audited consolidated net asset value or audited consolidated reserves of QML as at 31st March, 1996 or 31st March, 1997 are less than HK\$50,000,000; or
- (c) the audited consolidated profits after tax of QML for the years ended 31st March, 1996 and 31st March, 1997 are less than HK\$20,000,000 and HK\$28,800,000, respectively.

If QML is not successfully listed on an international stock exchange by 30th June, 1998 or such later date to be mutually agreed by CHL and the Purchaser, the Purchaser has an option (the "Option") exercisable within 3 months from such date to require the Company to repurchase the shares at 1.5 times the consideration paid by the Purchaser, either by way of cash or issue of new Shares at a share price at 97% of the then average closing price of the Shares for the 30 trading days before the exercise date of the Option.

As of the date of the approval of financial statements, it is not possible to determine the amount of the loss on disposal of the interest in QML.

- (v) On 29th July, 1996, Long Bloom Enterprises Limited ("LBEL"), a wholly-owned subsidiary of the Company, acquired 21.05% of the issued share capital of Advance Power Investments Limited ("APIL"), from an independent third party, for a consideration of HK\$20,000,000, which was satisfied by a cash payment of HK\$10,000,000 and the conversion of the loan receivable of HK\$10,000,000 as set out in note 19 to the financial statements.

As of the date of the approval of financial statements, it is not possible to determine the amount of goodwill arising on the acquisition of the interest in APIL in these financial statements.

- (vi) On 13th August, 1996, CNHL entered into an agreement with an independent third party to sell 60% of the issued share capital of CNCL for a consideration of HK\$5,000,000. The transaction will be completed prior to 28th February, 1997.

As of the date of the approval of financial statements, it is not possible to quantify the financial effect of this transaction in these financial statements.

- (vii) On 22nd August, 1996, the Company entered into a conditional placing and underwriting agreement ("Agreement") with independent third parties ("Placing Agent"). Pursuant to the Agreement, the Placing Agent will place 150,000,000 warrants to be issued by the Company entitling the holders thereof to subscribe for up to a maximum amount of 150,000,000 new ordinary shares of HK\$0.02 each in the share capital of the Company at the issue price of HK\$0.17 per warrant to independent investors. The proceeds, net of expenses, derived from the issue of the warrants are expected to be approximately HK\$22,100,000.

The Agreement is conditional upon:

- (a) the passing of the resolutions to be proposed at a special general meeting of the Company to approve the placing of the warrants; and
- (b) The Stock Exchange of Hong Kong Limited granting approval for the listings of and permission to deal in all the warrants and the shares to be issued on the exercise of the subscription rights attached to the warrants.

37. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current year presentation. The gain on disposal of leasehold land and buildings and an associated company and the loss arising on the disposal of a subsidiary in the prior year have been restated to conform with the provisions of SSAP 17, which do not allow revaluation reserves realised on disposal of certain fixed assets to form part of the gain or loss on disposal. This change in accounting treatment resulted in an increase in the loss attributable to shareholders for the year ended 31st March, 1995 of HK\$78,430,000. However, there was no effect on the retained profits at 1st April, 1995 as a result of the above.

The following is the material content of a valuation report received from Vigers Hong Kong Limited in connection with its valuation as at 9th May, 1997 of the Property, which has been prepared for the purpose of inclusion in the circular:



Room 801-6, Miramar Tower
1 Kimberley Road
Tsimshatsui
Kowloon

9th May, 1997

China United Holdings Limited
Room 1202
Evergo House
38 Gloucester Road
Wanchai
Hong Kong

Dear Sir

Re: The Whole of Basement of No. 28 Marble Road, North Point, Hong Kong

We refer to your instructions to assess the current open market value of above property assumed it is completed and with the benefit of vacant possession as at the report's date for finance purposes. We confirm that we have carried out an external inspection of the property, made relevant enquiries and contained such information as we consider necessary for the purpose of providing you with our opinion of the value.

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

- (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; and

(d) that no account is taken of any additional bid by a purchaser with a special interest.”

In valuing properties in Hong Kong, the Crown Leases of which expire before 30th June 1997, we have taken account of the statement contained in Annex III of the Joint Declaration and the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the People's Republic of China on the question of Hong Kong and the New Territories Leases (Extension) Ordinance 1988 that such leases will be extended without premium until 30th June 2047 and that an annual rent of three percent of the rateable value will be charged from the date of extension.

We have accepted advice given to us on such matters as tenure, site areas and all other relevant matters. However, without exception, we have not searched the original documents to verify ownership or to verify any lease amendments which may not appear on the copies handed to us. All documents have been used as reference only and have not been read or checked. All dimensions, measurement and areas are approximate.

We have not carried out a structural survey nor have we inspected woodwork or other parts of the structures which are covered, unexposed or inaccessible and we are therefore unable to report and any such part of the property is free from defect.

We have not arranged for any investigation to be carried out to determine whether or not high alumina cement concrete or calcium chloride additive or pulverized fly ash, or any other deleterious material has been used in the construction of this property and we are therefore unable to report that the property is free from risk in this respect. For the purpose of this valuation, we have assumed that such investigation would not disclose the presence of any such material in any adverse conditions.

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

This report is confidential to the client for the specific purpose of which it refers. It may be disclosed to other professional advisors assisting the client in respect of that purpose, but the client shall not disclose the report to any other person.

In accordance with our standard practice, this report is for the use of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of the contents of this report.

Yours faithfully
Vigers Hong Kong Limited

REPORT SECTION

**The whole of Basement of
No. 28 Marble Road,
North Point,
Hong Kong**

1. INSTRUCTIONS

To prepare a report and valuation on the current open market value of the subject property assumed it is completed and with the benefit of vacant possession as at the report's date for finance purposes.

2. SUBJECT PROPERTY

The whole of Basement of No. 28 Marble Road, North Point, Hong Kong.

3. DATE OF EXTERNAL INSPECTION

9th May, 1997.

4. LOCATION

No. 28 Marble is situated in a corner site bounded by Marble Road in the north and Shu Kuk Street in the west within the North Point district of Hong Kong Island. The locality is a mixed user area comprising medium-rise tenement buildings, high-rise composite buildings and high-rise commercial buildings of various ages and design. Public and shopping and catering facilities such as Urban Services Complex, shopping arcades and restaurants are readily available along Marble Road, Java Road and King's Road. This section of Marble Road is the traditional market area of North Point. Therefore, pedestrian flow along Marble Road is busy.

Accessibility to the subject building is very good. It is just beside the entrance of North Point MTR station and according to the developer, the subject property, ie. the basement will be linked to new entrances of MTR. Besides, there are various public transport services such as franchised buses, maxicabs and taxis plying along nearby King's Road and Java Road which are two main distributors connecting the subject locality to the other parts of Hong Kong Island.

5. DESCRIPTION OF PROPERTY

No. 28 Marble Road is a 30-storey commercial building plus 1 basement level. It provides retail shops on Basement, Ground and 1st Floors, car parking spaces and loading/unloading space on 2nd to 5th Floors whilst the upper floors from 7th to 32nd Floors are of office uses. It is of reinforced concrete framed construction clad with stainless steel reflective glass curtain walls and marble slabs to the exterior. The building is centrally air-conditioned and equipped with security system. Vertical access within the subject building is by means of 4 passenger lifts, 1 service lift and 2 staircases.

The subject property comprises the whole of the basement. According to the information of the developer, the subject property will be linked to the North Point MTR station. In addition, the subject property will be served by a pair of escalators and two flights of staircases with one leading to Marble Road. The property is served by two toilets.

6. CONDITION

At the time of our inspection of the subject property, we noted that the subject building was under construction. Therefore, we were not able to advise on the external and internal condition and finishes. However, we have assumed that the building will be finished to standards commensurate with those of other commercial buildings in comparable location.

7. FLOOR AREA

According to the information provided by the instructing party, the gross floor area of the subject property is approximately 1,463.04 sq.m. (15,748 sq.ft.).

8. AGE OF BUILDING

The subject building is being under construction and is scheduled to be completed in July 1997 with reference to the developer's sales brochure.

9. OWNERSHIP

According to the records in the Urban Land Registry, the registered owner of the subject property is Get Rich Enterprises Limited vide Memorial No. 6012751 dated 29th April 1994 and Memorial No. 6199432 dated 22nd December 1994.

10. ENCUMBRANCES

The property is subject to the following encumbrances:-

- (a) Charge in favour of Hang Seng Finance Limited (The Agent) vide Memorial No. 6012752 dated 29th April 1994.
- (b) Licence and Works Agreement by Mass Transit Railway Corporation vide Memorial No. 6294649 dated 18th April 1995.
- (c) Supplement to Charge M/N 6012752 in favour of Hang Seng Finance Limited (The Agent) vide Memorial No. 6383191 dated 15th August 1995.
- (d) Deed of Dedication in favour of The Government of Hong Kong vide Memorial No. 6683610 dated 12th June 1996.
- (e) Modification Letter vide Memorial No. 6695127 dated 15th July 1996.

11. OCCUPANCY

We are instructed to value the subject property on a vacant possession basis.

12. LOT NO. AND GOVERNMENT LEASE

The subject property is situated within Sub-Section 2 of Section A of Inland Lot No. 3504, Section B of Sub-Section 3 of Section A of Inland Lot No. 3504, the Remaining Portion of Sub-Section 3 of Section A of Inland Lot No. 3054, Section A of Sub-Section 3 of Section A of Inland Lot No. 3504, Sub-Section 5 of Section A of Inland Lot No. 3504, Sub-Section 4 of Section A of Inland Lot No. 3504, the Remaining Portion of Section A of Inland Lot No. 3504, the Remaining Portion of Section A of Sub-Section 1 of Section A of Inland Lot No. 3504 and Sub-Sections 2, 3, 4, 5 and 6 of Section A of Sub-Section 1 of Section A of Inland Lot No. 3504 which is held under the Conditions of Sale No. 3369 for a term of 75 years renewable for further 75 years commencing from 17th October 1932.

13. VALUATION CONSIDERATIONS

In arriving at our opinion, we assumed that the subject property would be completed in accordance with the development scheme as stated in the developer's sales brochure and the fact that the property will be directly linked to the MTR North Point Station. We have analysed sales transactions of similar commercial premises in the subject building and North Point and considered the market trend, as well as the likelihood impact of direct linking to MTR entrance. We have made adjustments for time, age, view, condition, size and orientation of the comparable properties in order to arrive at our opinion of the open market value of the subject property.

Having regard to the supply and demand in the locality and general current market conditions, we consider the marketability of the subject property is very good.

14. VALUATION

We are of the opinion that the open market value of the unencumbered leasehold interest in the subject property assumed it is completed and with the benefit of vacant possession as at the report's date is **HK\$470,000,000.00 (HONG KONG DOLLARS FOUR HUNDRED AND SEVENTY MILLION ONLY)**.

1. RESPONSIBILITY STATEMENT

This document 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 document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. SHARE CAPITAL

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

	\$
<i>Authorised:</i>	
2,000,000,000 Shares	<u>40,000,000.00</u>
<i>Issued and fully paid:</i>	
1,606,804,971 Shares	<u>32,136,099.42</u>

The Shares in issue rank pari passu in all respects, including in particular as to dividends, voting rights and capital.

3. DISCLOSURE OF INTERESTS

- (a) As at the Latest Practicable Date, the interests of the Directors in the issued share capital of the Company and its associated corporations (within the meaning of the SDI Ordinance) which have to be notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance (including interests which they are deemed or taken to have under Section 31 or Part I of the Schedule to the SDI Ordinance) or which are required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein or, which are required to be disclosed pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

(i) Shares

Name	Note	Number of Shares	Approximate percentage of share capital
Kwok Wai Tak	(i)	36,715,590	2.29
Kwok Wai Ming	(i)	36,715,590	2.29
Lam How Mun, Peter	(ii)	27,300,000	1.70

Notes:

- (i) These shares were held by Dynamic Business Group Limited ("Dynamic") of which Mr. Kwok Wai Tak and Ms. Kwok Wai Ming are directors. Dynamic is controlled by Mr. Kwok Wai Tak and a family trust established for the benefit of the family members of Mr. Kwok Wai Tak.
- (ii) Out of the 27,300,000 shares, 15,050,000 shares were held by Gaintown Developments Limited of which Dr. Lam How Mun, Peter is the sole director and shareholder.

(ii) Share options

As at the Latest Practicable Date, the Directors had personal interests in options which were granted under the share option scheme adopted by the shareholders at a special general meeting of the Company held on 15th December, 1995 to subscribe for Shares as follows (the consideration paid by each Director for the relevant option granted was \$1.00):

Name	No. of options	Date of grant	Exercise period	Exercise price per Share (\$)
Lam How Mun, Peter	6,000,000	17th January, 1996	17th January, 1996 to 16th January, 2006	0.45
	1,800,000	19th April, 1996	19th April, 1996 to 18th April, 2006	0.39
	1,000,000	24th April, 1996	24th April, 1996 to 23rd April, 2006	0.41
Tsui Chung Hou, Stanley	4,000,000	19th January, 1996	19th January, 1996 to 18th January, 2006	0.45

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors had any interest in the Company or its associated corporations.

- (b) Save as disclosed herein, there is no contract or arrangement subsisting at the date of this circular in which any of the Directors is materially interested and which is significant in relation to the business of the Group.
- (c) None of the Directors has a service contract with any member of the Group not determinable by the Company within one year without payment of compensation (other than statutory compensation).
- (d) As at the Latest Practicable Date, none of the Directors has or has had direct or indirect material interest in any assets acquired or disposed of by or leased to or by or proposed to be acquired or disposed of by or leased to or by any member of the Group.

4. SUBSTANTIAL SHAREHOLDER

As at the date thereof, so far as is known to or can be ascertained after reasonable enquiry by the Directors, there is no substantial shareholder of the Company.

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 Latest Practicable Date and are or may be material:

- (a) a preliminary agreement dated 1st June, 1995 between South Lanka Holdings Limited, a wholly-owned subsidiary of the Company, as the vendor and East-West (Clearing & Forwarding) Limited as the purchaser whereby the vendor agreed to sell the entire issued share capital of South Textiles Lanka (Private) Limited to the purchaser at US\$7.5 million;
- (b) a supplemental agreement dated 7th July, 1995 to a sale and purchase agreement dated 14th September, 1994 between Mr. Lam Pun Tcheng as the vendor and Yetwin Company Limited (now known as Kam Kwong Company Limited), a wholly-owned subsidiary of the Company, as the purchaser regarding variations in the terms of the said sale and purchase agreement;
- (c) an agreement dated 23rd August, 1995 between South Textiles Lanka (Private) Limited as the vendor and East-West (Clearing & Forwarding) Limited as the purchaser whereby the vendor agreed to sell certain assets to the purchaser at US\$7.5 million;
- (d) an agreement dated 3rd October, 1995 between 393527 Alberta Limited as the vendor and Matabele Limited, a wholly-owned subsidiary of the Company, as the purchaser whereby the purchaser agreed to acquire the land and commercial building known as Optima Place situated at 744-4th Avenue S.W., Calgary, Alberta, Canada at 4.63 million Canadian dollars;
- (e) an agreement dated 18th November, 1995 between Happy Point Investments Limited as the vendor and Victory Concord Limited, a wholly-owned subsidiary of the Company, as the purchaser whereby the purchaser agreed to acquire the property known as 26th and 27th floors of China United Plaza situated at Nos. 1002-1008 Tai Nan West Street, Kowloon at \$39.75 million;
- (f) an agreement dated 18th January, 1996 between Capitano Properties Limited as the grantor and Long Bloom Enterprises Limited as the grantee whereby the grantor granted an option to the grantee to acquire not more than 42.11% equity interest in Advance Power Investments Limited at a maximum consideration of \$40 million;

- (g) an agreement dated 1st February, 1996 between West Dynamic International Limited as the vendor and Chung Nam Sea Land Infrastructure Limited, a wholly-owned subsidiary of the Company, as the purchaser whereby the purchaser agreed to acquire the entire rights, benefits and remedies of the foreign partner of a joint venture contract relating to Nanhai Guimu Highway Co. Ltd. at \$50 million;
- (h) an agreement dated 8th March, 1996 between Chung Nam Holdings Limited, a wholly-owned subsidiary of the Company, as the vendor and Madam Fong Ying Kwan as the purchaser whereby the purchaser agreed to acquire 28.5% equity interests in Diamond Star International Limited at \$7.8 million;
- (i) an agreement dated 26th July, 1996 entered into between the Company as the guarantor, Chung Hing Limited, a wholly-owned subsidiary of the Company, as the vendor and The China Investment and Development Fund Limited as the purchaser whereby the purchaser agreed to acquire 5,999,512 existing shares in Qualipak Manufacturing Limited ("QML") from the vendor and subscribe for 666,632 new shares in QML for an aggregate consideration of US\$6.5 million;
- (j) an agreement dated 22nd August, 1996 between C.A. Pacific Capital Limited ("C.A. Capital") as the underwriter, C.A. Pacific Securities Limited ("C.A. Securities") as the placing agent and the Company in relation to the issue and placement of 150,000,000 1996-1998 warrants (the "Warrants") at a price of \$0.17 per Warrant;
- (k) an agreement dated 17th September, 1996 between Mr. Chan Ka Keung as the vendor and Lockrealm Holdings Limited, a wholly-owned subsidiary of the Company, as the purchaser whereby the purchaser agreed to acquire additional 34% equity interests in Rich Reward Holdings Limited at approximately \$31.55 million;
- (l) a warrant instrument dated 24th September, 1996 regarding the issue of the Warrants;
- (m) an agreement dated 21st October, 1996 between Republican Charm Limited as the vendor and Lockrealm Holdings Limited, a wholly-owned subsidiary of the Company, as the purchaser whereby the purchaser agreed to acquire the entire issued share capital of The NCHK Metals (Suzhou) Limited and 25% of the to be enlarged issued share capital of Weitang International Limited at an aggregate consideration of \$70 million;
- (n) an agreement dated 12th November, 1996 between Ms. Leung Tze Man as the vendor and Best Million Limited, a wholly-owned subsidiary of the Company, as the purchaser whereby the purchaser agreed to acquire the entire issued share capital in together with the benefits of all interest-free shareholder's loans to Large Investments Limited at an aggregate consideration of \$107 million;
- (o) an agreement dated 28th November, 1996 between Golden Reliance Development Limited as the vendor and Selway Limited, a wholly-owned subsidiary of the Company, as the purchaser whereby the purchaser agreed to acquire Units Nos. 7-14, 44 and 51-67 on the First Floor of Hunghom Commercial Centre situated at 37-39 Ma Tau Wai Road, Hung Hom, Kowloon at \$75 million;

- (p) an agreement dated 11th December, 1996 between Ripplevale Limited and Righteam Limited, both wholly-owned subsidiaries of the Company, as the vendor, Principal Assets Limited as the purchaser and the Company as the Guarantor whereby the vendor agreed to dispose of 80% equity interests in and the benefits of its interest-free shareholder's loan to Consco Holdings Limited for an aggregate consideration of \$103 million;
- (q) an agreement dated 11th March, 1997 between Kensingford Limited as the vendor and Sunny Point Investments Limited, a wholly-owned subsidiary of the Company, as the purchaser whereby the purchaser agreed to acquire the entire issued share capital in and the benefits of its interest-free shareholder's loan to Fei Wang Incorporated at an aggregate consideration of approximately \$50 million;
- (r) an agreement dated 12th March, 1997 between C.A. Capital as the underwriter, C.A. Securities as the placing agent and the Company for the private placement of 40,000,000 new Shares at a price of \$0.288 per Share;
- (s) an agreement dated 27th March, 1997 between Orient Sheen Investment Limited as the Subscriber and QML, a then subsidiary company of the Company, in relation to the subscription by the subscriber of 4,264,825 new shares in the capital of QML at \$42 million;
- (t) an agreement dated 9th April, 1997 between Honsec Trading Limited as the purchaser and Long Bloom Enterprises Limited, a wholly-owned subsidiary of the Company, as the vendor whereby the purchaser agreed to purchase 30% equity interests in each of Kowan Investments Limited and Quali-Trade Investments Limited at \$15 million;
- (u) an agreement dated 23rd April, 1997 between C.A. Capital as the underwriter, C.A. Securities as the placing agent and the Company for the private placement of 150,000,000 new Shares at a price of \$0.33 per Share;
- (v) an agreement dated 5th May, 1997 between C.A. Capital as the underwriter, C.A. Securities as the placing agent and the Company for the private placement of 108,000,000 new Shares at a price of \$0.43 per Share;
- (w) the Agreement.

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 by or against the Company or any of its subsidiaries.

7. EXPERTS

Vigers Hong Kong Limited does not have any shareholding, direct or indirect, in any member of the Group nor any right (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Vigers Hong Kong Limited does not have or has not had direct or indirect material interest in any assets acquired or disposed of by or leased to or by or proposed to be acquired or disposed of by or leased to or by any member of the Group.

Vigers Hong Kong Limited has given and has not withdrawn its written consent to the issue of this circular with reference to its name and valuation report in the form and context in which they appear respectively.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal office of the Company in Hong Kong at 1202 Evergo House, 38 Gloucester Road, Wanchai, Hong Kong up to and including 11th June, 1997;

- (a) the Memorandum of Association and Bye-laws of the Company;
- (b) the valuation report and consent letter issued by Vigers Hong Kong Limited;
- (c) the 1995 and 1996 annual reports of the Company for the two financial years ended 31st March, 1995 and 31st March, 1996 respectively;
- (d) the material contracts referred to in the section headed "Material Contracts" of this appendix; and
- (e) the circulars issued by the Company dated 30th August, 1996, 16th September, 1996, 2nd October, 1996, 27th November, 1996, 19th December, 1996, 22nd February, 1997, 1st April, 1997 and 26th May, 1997 respectively.

9. GENERAL

- (a) No adjustment to the subscription price of the outstanding Warrants is required in consequence of the issue of the Consideration Shares.
- (b) The secretary of the Company is Miss Leung Lai Oi, *ACIS, ACS*.
- (c) The registered office of the Company is situated at Cedar House, 41 Cedar Avenue, Hamilton HM 12, Bermuda.
- (d) The principal share registrar and transfer office of the Company is The Bank of Bermuda Limited of 6 Front Street, Hamilton HM 11, Bermuda whilst the Hong Kong branch share registrar and transfer office of the Company is Central Registration Hong Kong Limited of 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

NOTICE OF SPECIAL GENERAL MEETING



(incorporated in Bermuda with limited liability)

NOTICE IS HEREBY GIVEN that a special general meeting of the Company will be held at 9:00 a.m. on Wednesday, 11th June, 1997 at the Business Centre Conference Room, PM Floor, Empire Hotel, 33 Hennessy Road, Wanchai, Hong Kong to consider and if thought fit pass the following resolutions as Ordinary Resolutions:-

ORDINARY RESOLUTIONS

1. **“THAT** conditionally upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Consideration Shares (as defined in a circular of the Company dated 26th May, 1997 (the “Circular”), a copy of which marked “A” has been produced to the meeting and signed by the Chairman for the purpose of identification:
 - a. the conditional agreement (the “Agreement”) dated 13th May, 1997 entered between Great Gains International Limited (the “Purchaser”), a wholly-owned subsidiary of the Company, and Get Rich Enterprises Limited (the “Vendor”) whereby the Vendor will sell and the Purchaser will acquire the property being the whole of the basement, No. 28 Marble Road, North Point, Hong Kong (details of which are included in the Circular) at a total consideration of HK\$470 million as to HK\$235 million in cash and as to HK\$235 million by the issue and allotment of the Consideration Shares (as defined in the Circular) be and are hereby approved; and
 - b. the Directors be and are hereby authorised on behalf of the Company to sign, seal, execute, perfect, deliver and do all such documents, deeds, acts, matters and things as they may in their discretion consider necessary or desirable for the purpose of or in connection with the implementation of the Agreement and the exercise or enforcement of any of the Company’s rights under the Agreement including, inter alia, upon other conditions of the Agreement and/or to procure completion of the same and to allot and issue 556,872,037 new shares of HK\$0.02 each in the share capital of the Company as consideration for the sale and purchase pursuant to the Agreement.”
2. **“THAT** the authorised share capital of the Company be and is hereby increased from HK\$40,000,000 to HK\$60,000,000 by the creation of 1,000,000,000 shares of HK\$0.02 each, each ranking pari passu with the existing shares of the Company in all respects.”

NOTICE OF SPECIAL GENERAL MEETING

3 **“THAT:–**

- (a) the exercise by the directors during the Relevant Period of all the powers of the Company to issue, allot and dispose of additional shares of the Company (including making and granting offers, agreements and options which would or might require shares to be issued, allotted or disposed of, whether during or after the end of the Relevant Period) be and is hereby generally and unconditionally approved, provided that, otherwise than pursuant to:
 - (i) a rights issue where shares are offered to shareholders on a fixed record date in proportion to their then holdings of shares (subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory),
 - (ii) any option scheme or similar arrangement for the time being adopted for the grant or issue to employees of the Company and/or any of its subsidiaries of shares or rights to subscribe for shares of the Company,
 - (iii) the exercise of subscription rights attaching to any warrants which may be issued by the Company, or
 - (iv) any scrip dividend pursuant to the Bye-laws of the Company for the time being,

the additional shares issued, allotted or disposed of (including shares agreed conditionally or unconditionally to be issued, allotted or disposed of, whether pursuant to an option or otherwise) shall not in aggregate exceed 20% of the aggregate nominal amount of the share capital of the Company in issue at the date of this Resolution, and the said approval shall be limited accordingly;
- (b) for the purpose of this Resolution, “Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:
 - (i) the conclusion of the next Annual General Meeting of the Company;
 - (ii) the expiration of the period within which the next Annual General Meeting is required by the Bye-laws of the Company or the Companies Act 1981 of Bermuda (as amended) or any other applicable law of Bermuda to be held; and
 - (iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders in general meeting; and
- (c) the authority conferred on the directors by this Resolution be in place of the unexpired portion of the similar authority conferred on the Directors at the Special General Meeting of the Company held on 3rd April 1997, which unexpired authority is hereby revoked.”

NOTICE OF SPECIAL GENERAL MEETING

4. "THAT the authority granted to the Directors under Resolution 3 set out in the Notice of this Meeting be and is hereby extended by the addition of an amount representing the aggregate nominal amount of shares repurchased by the Company pursuant to the authority approved at the Annual General Meeting of the Company held on 27th September, 1996 (being an authority for the repurchase of securities of the Company in accordance with applicable laws and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited)."

By Order of the Board
Leung Lai Oi
Company Secretary

Hong Kong, 26th May, 1997

Principal Office in Hong Kong:
1202 Evergo House
38 Gloucester Road
Wanchai
Hong Kong

Registered Office:
Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

Notes:

1. A member entitled to attend and vote at the 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.
2. In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose seniority shall be determined by the order in which their names stand in the register of members of the Company.
3. A form of proxy for use at the meeting is enclosed. In order to be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power of attorney or authority must be lodged at the principal office of the company in Hong Kong at 1202 Evergo House, 38 Gloucester Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof.