

The following is the text of a letter, summary of valuations and valuation certificate prepared for the purpose of incorporation in this prospectus received from DTZ Debenham Tie Leung Limited, an independent valuer, in connection with their valuations as at 31st October, 2002 of the property interests of the Group.



Formerly C Y Leung & Company
原梁振英測量師行

29th November, 2002

The Directors
Warderly International Holdings Limited
Unit 1901, 19th Floor
Hong Kong Worsted Mills Industrial Building
31-39 Wo Tong Tsui Street
Kwai Chung
New Territories
Hong Kong

Dear Sirs,

In accordance with your instructions for us to value the property interests held by Warderly International Holdings Limited (the “Company”) and its subsidiaries (hereinafter together referred to as the “Group”) in Hong Kong and in the People’s Republic of China (the “PRC”) as listed in the attached summary of valuations, we confirm that we have carried out inspections, made relevant searches and enquiries and obtained such further information as we consider necessary for the purpose of providing the Company with our opinion of the open market values of such property interests as at 31st October, 2002 (the “date of valuation”).

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

- (a) a willing seller;
- (b) that, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of the price and terms and for the completion of the sale;
- (c) that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation;
- (d) that no account is taken of any additional bid by a prospective purchaser with a special interest; and
- (e) that both parties to the transaction had acted knowledgeably, prudently and without compulsion.”

Our valuations have been made on the assumption that the owners sell the property interests on the open market without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the values of the such property interests.

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

In forming our opinion of the value of the property interest in Group I which is owned and occupied by the Group in Hong Kong, we have valued the property interest by the direct comparison approach (“DC Approach”) assuming sale of the property interest in existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market.

In forming our opinion of the value of the property interest in Group II which is an industrial complex owned and occupied by the Group in the PRC, due to the nature of buildings and structures constructed on the property, there is no readily identifiable market sale comparable, and the buildings and structures cannot be valued by comparison with open market transactions. Therefore, we have adopted the depreciated replacement cost approach (“DRC Approach”) to value such property interest. The DRC Approach requires an estimate of the open market value of the land in its existing use and an estimate of the new replacement cost of the buildings and structures, from which deductions are made to allow for the age, condition and functional obsolescence.

We have been provided with extract of documents in relation to the title to the property interests in the PRC. We have not been provided with copies of the title documents relating to the property interests in Hong Kong but have caused searches to be made at the appropriate Land Registry. However, we have not searched the original documents to ascertain ownership or to verify any amendments which may not appear on the copies handed to us but have relied upon information given to us by the Group and the Group’s PRC legal adviser, Guangxin Lawyers, on the PRC laws in the respect of the Group’s interests in the properties. In the course of our valuation, we have relied to a very considerable extent on the information given to us by the Group and other related parties and have accepted advice given to us on such matters as planning approvals or statutory notice, easements, tenure, identification of properties, completion dates of buildings, particulars of occupancy, site and floor areas, site and floor plans, attributable interest of the Group in the properties and all other relevant matters.

Dimension, measurements and areas included in the attached valuation certificate are based on information provided to us and are therefore only approximations. We have not been able to carry out on-site measurements to verify the site and floor areas of the properties and we have assumed that the areas shown on the copies of the documents handed to us are correct. We have had no reasons to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuations. We were also advised by the Group that no material facts have been omitted from the information supplied. No on-site measurement has been taken.

In valuing the property interests in Hong Kong where the government leases of which had expired before 30th June, 1997, we have taken into account that under the provisions contained in Annex III of the Joint Declaration of the Government of the United Kingdom and the Government of the People’s Republic of China on the Question of Hong Kong as well as in the New Territories

Leases (Extension) Ordinance, such leases have been extended without premium until 30th June, 2047 and that rents of three per cent. of the rateable values are charged per annum from the date of extension.

In the course of our valuation of the property interests in the PRC, we have assumed that transferable land use rights in respect of the property interests for respective specific terms at nominal annual land use fee have been granted and that any premium payable has already been fully paid. We have assumed that the grantees or the users of the property interests have free and uninterrupted rights to use or to assign the property interests for the whole of the respective unexpired terms as granted. We have relied on the advice given by the Group and the Group's PRC legal adviser regarding the title to each of the property interests.

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

Unless otherwise stated, all sums stated in our valuations are in Hong Kong dollars. The exchange rate adopted in our valuations is approximately HK\$1=RMB1.06 which was approximately the prevailing exchange rate as at the date of valuation. There has been no significant fluctuation in exchange rate between that date and the date of this letter.

We enclose herewith a summary of our valuations and our valuation certificate.

Yours faithfully,
for and on behalf of
DTZ Debenham Tie Leung Limited
Andrew K.F. Chan
Registered Professional Surveyor (GP)
MSc., A.H.K.I.S., M.R.I.C.S.
Director

Note: Mr. Andrew K. F. Chan is a Chartered Surveyor who have extensive experience in the valuation of properties in Hong Kong and the PRC.

SUMMARY OF VALUATIONS

Property	Capital value in existing state as at 31st October, 2002 <i>HK\$</i>
Group I – Property interest owned and occupied by the Group in Hong Kong	
1. Unit No. 1901 on the 19th Floor and Car Parking Space No. 17 on the Upper Ground Floor, Hong Kong Worsted Mills Industrial Building, 31-39 Wo Tong Tsui Street, Kwai Chung, New Territories	1,500,000
Sub-total:	1,500,000
Group II – Property interest owned and occupied by the Group in the PRC	
2. An industrial complex situated at Shahukou Administrative District, Changping Town, Dongguan City, Guangdong Province	50,000,000
Sub-total:	50,000,000
Grand total:	51,500,000

VALUATION CERTIFICATE

Group I – Property interest owned and occupied by the Group in Hong Kong

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31st October, 2002
1. Unit No. 1901 on the 19th Floor and Car Parking Space No. 17 on the Upper Ground Floor, Hong Kong Worsted Mills Industrial Building, 31-39 Wo Tong Tsui Street, Kwai Chung, New Territories	The property comprises an industrial unit on the 19th Floor and a parking space on the upper-ground floor of a 24-storey industrial building erected upon a 2-storey car park podium completed in 1983.	The property is currently occupied by the Group as warehouses, ancillary offices and other ancillary uses.	HK\$1,500,000
22/3223 rd shares of and in Lot No. 730 in Demarcation District No. 450	The property has a total gross floor area of approximately 378.48 sq.m. (4,074 sq.ft.), excluding the area of the parking space.	The property is held from the Government of Hong Kong for a term of 75 years from 1st July, 1898 renewed for a further term of 24 years and further statutorily extended to 30th June, 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.	

Note:

- (1) The registered owner of the property is Housely Industries Limited.
- (2) The property is currently subject to a mortgage created in favour of The Bank of China (Hong Kong) Limited dated 23rd May, 1995 and registered in the Tsuen Wan New Territories Land Registry vide Memorial No. 1006774.

Group II – Property interest owned and occupied by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31st October, 2002
2. An industrial complex situated at Shahukou Administrative District, Changping Town, Dongguan City, Guangdong Province	<p>The property comprises an industrial complex erected upon two plots of land which together formed a roughly trapezoid-shaped site having a total site area of approximately 36,051.17 sq.m. (388,055 sq.ft.).</p> <p>The industrial complex of the property comprises four blocks of 5 to 7-storey workshop building, two blocks of 6-storey dormitory and some additional ancillary building structures completed between 1994 to 1997.</p> <p>The property has a total gross floor area of approximately 55,644.76 sq.m. (598,960 sq.ft.), excluding the areas of those ancillary building structures.</p> <p>The land use rights of the property have been granted for a term due to expire on 2nd June, 2052 for industrial use.</p>	The property is currently occupied by the Group as workshops, warehouses, staff quarters, ancillary offices and other ancillary uses.	HK\$50,000,000

Notes:

- (1) Pursuant to six Real Estate Title Certificates all issued by The People's Government of Dongguan, the real estate titles of the property comprising a total site and gross floor areas of 36,051.17 sq.m. and 55,644.76 sq.m. respectively have been granted to Dongguan Kalee Electrical Co., Ltd. for a land use term due to expire on 2nd June, 2052. Detail of the said certificates are, inter alia, cited as follows :-

Certificate No.	Date of Registration	Site Area sq.m.	Building	No. of Storey	Date of Completion	Gross Floor Area sq.m.
Yue Fang Di Zheng Zi No. C1345570	08-08-2002	36,051.17 (Total)	Dormitory	6	1997	4,823.10
Yue Fang Di Zheng Zi No. C1345571	20-11-2002	36,051.17 (Total)	Workshop	6	1997	12,252.84
Yue Fang Di Zheng Zi No. C1345572	08-08-2002	36,051.17 (Total)	Workshop	7	1997	12,567.68
Yue Fang Di Zheng Zi No. C1345573	08-08-2002	36,051.17 (Total)	Workshop	7	1997	12,567.68
Yue Fang Di Zheng Zi No. C1345574	08-08-2002	36,051.17 (Total)	Workshop	5	1994	10,907.02
Yue Fang Di Zheng Zi No. C1345575	08-08-2002	36,051.17 (Total)	Dormitory	6	1994	2,526.44
Total :		<u>36,051.17</u>				<u>55,644.76</u>

- (2) Pursuant to the Business License No. 000432 dated 8th June, 2001, Dongguan Kalee Electrical Co., Ltd. was incorporated with a registered capital of HK\$43,150,000 for a valid operation period from 30th September, 1989 to 29th September, 2019.
- (3) The opinion of the Group’s legal adviser on the PRC laws states, inter alia, that:–
- (i) Dongguan Kalee Electrical Co., Ltd. is a limited company duly incorporated with a registered capital of HK\$43,150,000 and validly exists as an independent legal entity under the PRC laws.
 - (ii) Real Estate Title Certificates of the property have been issued to Dongguan Kalee Electrical Co., Ltd. and the same has obtained a good title to the land use rights and building ownership of the property comprising a total site and gross floor areas of 36,051.17 sq.m. 55,644.76 sq.m. respectively.
 - (iii) Dongguan Kalee Electrical Co., Ltd. is entitled to freely transfer, lease, mortgage or otherwise assign the buildings together with its respective land use rights of the property within the land use term granted in accordance with the PRC laws at no extra land premium or other onerous payment payable to the Government.
- (4) We have relied on the aforesaid legal opinion and prepared our valuation on the following assumptions:–
- (i) Dongguan Kalee Electrical Co., Ltd. is in possession of a proper legal title to the property and is entitled to transfer the property with the residual term of its land use rights at no extra land premium or other onerous payment payable to the government;
 - (ii) All land premium and other costs of ancillary utilities services have been fully settled;
 - (iii) the design and construction of the buildings and structures of the property are in compliance with the local planning regulations and have been approved by the relevant authorities; and
 - (iv) The property may be freely disposed of to other parties.
- (5) The status of the title and grant of major approvals and licenses in accordance with the information provided by the Group and the aforesaid legal opinion are as follows:–

Real Estate Title Certificate	Yes
Business License	Yes