

If you are in any doubt as to any aspect of this Composite Offer Document or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or otherwise transferred all your Shares in Greater China Holdings Limited, you should at once hand this Composite Offer Document and the accompanying Form of Acceptance to the purchaser(s) or transferee(s) or to the bank, a licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s). This Composite Offer Document should be read in conjunction with the accompanying Form of Acceptance, the contents of which form part of the terms of the Offer contained herein.

The Stock Exchange of Hong Kong Limited and the Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Composite Offer Document and the accompanying Form of Acceptance or make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Offer Document and the accompanying Form of Acceptance.

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**KEENLEAD HOLDINGS LIMITED**

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



**大中華實業控股有限公司\***  
**GREATER CHINA HOLDINGS LIMITED**

*(incorporated in Bermuda with limited liability)*

**(Stock code: 431)**

**COMPOSITE OFFER AND RESPONSE DOCUMENT  
RELATING TO THE MANDATORY UNCONDITIONAL CASH OFFER BY**



**博大資本國際有限公司**

**Partners Capital International Limited**

**ON BEHALF OF  
KEENLEAD HOLDINGS LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES IN  
GREATER CHINA HOLDINGS LIMITED  
(OTHER THAN THOSE SHARES ALREADY OWNED BY  
KEENLEAD HOLDINGS LIMITED  
AND PARTIES ACTING IN CONCERT WITH IT)**

**Financial Adviser to Keenlead Holdings Limited**



**博大資本國際有限公司**

**Partners Capital International Limited**

**Joint Independent Financial Advisers to the Independent Board Committee**

**ALTUS CAPITAL LIMITED**



**TIS Securities (HK) Limited**

A letter from the Board is set out on pages 6 to 10 of this Composite Offer Document. A letter from Partners Capital International Limited is set out on pages 11 to 23 of this Composite Offer Document. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders on the Offer is set out on pages 24 to 25 of this Composite Offer Document and a joint letter from Altus Capital Limited and TIS Securities (HK) Limited, the joint independent financial advisers to the Independent Board Committee, containing their advice in respect of the Offer is set out on pages 26 to 43 of this Composite Offer Document.

The procedures for acceptance and settlement of the Offer are set out on pages 44 to 49 in Appendix I to this Composite Offer Document and in the accompanying Form of Acceptance. Acceptances of the Offer should be received by Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Hong Kong, by no later than 4:00 p.m. on 5 August 2005 (or such later time and/or date as the Offeror may decide and announce in accordance with the Takeovers Code).

15 July 2005

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## DEFINITIONS

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*In this Composite Offer Document, unless the context otherwise requires, the following expressions have the following meanings:*

“Altus Capital”	Altus Capital Limited, a licensed corporation to carry out business in type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance), and type 9 (asset management) regulated activities under the SFO, which has been appointed by the Company as one of the joint independent financial advisers to the Independent Board Committee in respect of the Offer
“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Business Day”	any day on which licensed banks in Hong Kong are generally open for business, except a Saturday and days on which a tropical cyclone warning signal No. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“China Main”	China Main Investment (H.K.) Company Limited, a company incorporated in Hong Kong with limited liability and owned as to 60% by Centre Mark Development Limited and as to 40% by Sino Elite International Limited. Centre Mark Development Limited is owned as to 99.99% by Mr. Chen Dacheng and as to 0.01% by China Main Group Limited. Sino Elite International Limited is owned as to 99.99% by China Main Group Limited and as to 0.01% by Mr. Pai Chin Ming. China Main Group Limited is owned as to 99% by Mr. Chen Dacheng and as to 1% by Mr. Pai Chin Ming
“Closing Date”	Friday, 5 August 2005 or, if the Offer is revised or extended, the closing date of the Offer as revised or extended by the Offeror in accordance with the Takeovers Code
“Company”	Greater China Holdings Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange

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## DEFINITIONS

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“Completion”	completion of the S&P Agreements
“Composite Offer Document”	this composite offer and response document jointly issued by and on behalf of the Offeror and the Company to all the Independent Shareholders in accordance with the Takeovers Code containing, among other matters, terms and conditions of the Offer, the advice of the Independent Board Committee to the Independent Shareholders in relation to the Offer, the advice of the joint independent financial advisers to the Independent Board Committee in respect of the Offer and the accompanying Form of Acceptance
“Director(s)”	the director(s) of the Company
“Encumbrances”	all mortgages, charges, pledges, equity rights or other adverse claims or rights of any kind
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Form of Acceptance”	the form of acceptance and transfer in respect of the Offer
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee of the Board comprising Mr. Wang Xianjun, Mr. Wan Tze Fan Terence and Mr. Liu Feng Liang established for the purpose of advising the Independent Shareholders in relation to the Offer
“Independent Shareholders”	Shareholders other than the Offeror and parties acting in concert with it
“Joint Announcement”	the joint announcement dated 17 June 2005 of the Company and the Offeror relating to the S&P Agreements and the Offer
“Latest Practicable Date”	12 July 2005, being the latest practicable date prior to the printing of this Composite Offer Document for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

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## DEFINITIONS

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“Ms. Ma”	Ms. Ma Xiaoling, the beneficial owner and sole director of the Offeror
“Offer”	the unconditional mandatory cash offer made by Partners Capital on behalf of the Offeror for all the issued Shares not already owned by the Offeror and parties acting in concert with it on the terms and subject to the terms and conditions set out in this Composite Offer Document and the accompanying Form of Acceptance
“Offeror”	Keenlead Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and legally and beneficially wholly owned by Ms. Ma
“Offeror Director”	Ms. Ma, the sole director of the Offeror
“Overseas Shareholders”	the Independent Shareholders whose addresses (as shown on the register of members of the Company) are outside Hong Kong
“parties acting in concert”	has the meaning ascribed thereto in the Takeovers Code
“Partners Capital”	Partners Capital International Limited, a licensed corporation to carry on types 1 and 6 regulated activities (dealing in securities and advising on corporate finance) under the SFO and the financial adviser to the Offeror in respect of the Offer
“PRC”	the People’s Republic of China, which for the purpose of this Composite Offer Document excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Registrar”	Tengis Limited, the branch share registrar and transfer office of the Company in Hong Kong, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Hong Kong
“Relevant Period”	the period between 17 December 2004 (being the date falling six months immediately prior to 17 June 2005, the date of the Joint Announcement) and the Latest Practicable Date
“S&P Agreements”	the three sale and purchase agreements dated 8 June 2005 entered into between the Offeror and each of the Vendors in respect of the acquisition of the Sale Shares by the Offeror from the Vendors
“Sale Shares”	an aggregate of 97,894,000 Shares, representing approximately 41.07% of the entire issued share capital of the Company, being sold by the Vendors to the Offeror pursuant to the S&P Agreements
“SFC”	Securities and Futures Commission of Hong Kong

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## DEFINITIONS

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“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) of HK\$0.005 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“TIS Securities”	TIS Securities (HK) Limited, a licensed corporation to carry out business in type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), and type 6 (advising on corporate finance) regulated activities under the SFO, which has been appointed by the Company as one of the joint independent financial advisers to the Independent Board Committee in respect of the Offer
“Vendors”	Suntek Corp., Billion Charm Holdings Limited and Mr. Chen Changui
“HK\$” and “cents”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States
“%”	per cent.

*For the purpose of illustration only, amount denominated in US\$ is translated into HK\$ at the rate of US\$1.00 = HK\$7.80.*

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## EXPECTED TIMETABLE

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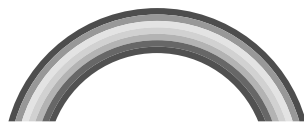
2005

Commencement of the Offer .....	Friday, 15 July
Latest time and date for acceptance of the Offer .....	4:00 p.m. on Friday, 5 August
Closing Date of the Offer ( <i>Note 1</i> ) .....	Friday, 5 August
Announcement of the results of the Offer to be published in the newspapers .....	Monday, 8 August
Latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances received on or before the Closing Date ( <i>Note 2</i> ) .....	Saturday, 13 August

*Notes:*

1. The Offer, which is unconditional, will close at 4:00 p.m. on Friday, 5 August 2005 unless the Offeror revises or extends the Offer in accordance with the Takeovers Code or as permitted by the Executive in accordance with the Takeovers Code. The Offeror reserves the right to extend the Offer until such date as it may determine in accordance with the Takeovers Code.
2. The consideration payable for valid acceptances in respect of the all issued Shares other than the Sale Shares and any other Shares owned by the Offeror or parties acting in concert with it under the Offer will be despatched to the Independent Shareholders who have accepted the Offer as soon as possible, but in any event within 10 days from the date of the receipt by the Registrar of the requisite documents from the Independent Shareholders accepting the Offer to render the acceptance under the Offer complete and valid. All documents and remittances sent to the Independent Shareholders will be sent to them by ordinary post at their own risk. Such documents and remittances will be sent to the Independent Shareholders at their addresses as they appear on the register of members of the Company or, in the case of joint Shareholders, to the Shareholder whose name stands first in the relevant register.
3. Acceptance of the Offer shall be irrevocable and cannot be withdrawn, except in the circumstances set out in Rule 19.2 of the Takeovers Code. The Executive may require that acceptors be granted a right of withdrawal, on terms acceptable to the Executive until the requirements under Rule 19 of the Takeovers Code can be met.

**Unless otherwise expressly stated, all time references contained in this Composite Offer Document are to Hong Kong time.**



大中華實業控股有限公司\*  
GREATER CHINA HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*

(Stock code: 431)

*Executive Directors:*

Mr. Xu Ying (*Chairman*)

Mr. Liu Ming Hui (*Managing Director*)

*Independent non-executive Directors:*

Mr. Wang Xianjun

Mr. Wan Tze Fan Terence

Mr. Liu Feng Liang

*Registered office:*

Canon's Court

22 Victoria Street

Hamilton HM12

Bermuda

*Head office and principal*

*place of business in Hong Kong:*

Room 1804

1 Lyndhurst Tower

1 Lyndhurst Terrace

Central

Hong Kong

15 July 2005

*To the Independent Shareholders*

Dear Sirs,

**MANDATORY UNCONDITIONAL CASH OFFER BY  
PARTNERS CAPITAL INTERNATIONAL LIMITED  
ON BEHALF OF  
KEENLEAD HOLDINGS LIMITED  
FOR ALL THE ISSUED SHARES IN  
GREATER CHINA HOLDINGS LIMITED  
(OTHER THAN THOSE SHARES ALREADY OWNED BY  
KEENLEAD HOLDINGS LIMITED  
AND PARTIES ACTING IN CONCERT WITH IT)**

**INTRODUCTION**

On 17 June 2005, the Board and the Offeror jointly announced that on 8 June 2005, the Offeror entered into the S&P Agreements with each of the Vendors for the acquisition of the Sale Shares at an aggregate cash consideration of HK\$48,947,000. Completion took place on 8 June 2005, being the date of the S&P Agreements.

\* *for identification purpose only*



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## LETTER FROM THE BOARD

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Upon Completion, the Offeror and parties acting in concert with it owned an aggregate of 130,108,400 Shares, representing approximately 54.58% of the entire issued share capital of the Company. Under Rule 26.1 of the Takeovers Code, the Offeror is required to make a mandatory unconditional cash offer for all the issued Shares not already owned by the Offeror and parties acting in concert with it. Accordingly, Partners Capital, on behalf of the Offeror, is making the Offer for all the issued Shares not already owned by the Offeror and parties acting in concert with it at HK\$0.50 per Share. The terms of the Offer are set out in the letter from Partners Capital as well as in Appendix I to this Composite Offer Document, of which this letter forms part, and in the accompanying Form of Acceptance.

In accordance with Rule 2.1 of the Takeovers Code, the Independent Board Committee was formed. In assessing the eligibility of the Directors to be members of the Independent Board Committee, we noted that Mr. Xu Ying and Mr. Liu Ming Hui are not regarded as independent in making any recommendation in relation to the Offer as they are salaried employees of the Company. Based on the foregoing, we consider that Mr. Xu Ying and Mr. Liu Ming Hui are not eligible to be members of the Independent Board Committee, and Mr. Wang Xianjun, Mr. Wan Tze Fan, Terence and Mr. Liu Feng Liang, all being independent non-executive Directors and are independent in respect of the Offer, are eligible to be members of the Independent Board Committee. Therefore, the Independent Board Committee thus comprises Mr. Wang Xianjun, Mr. Wan Tze Fan, Terence and Mr. Liu Feng Liang, all being independent non-executive Directors.

In addition to setting out the letter from Partners Capital herein, the purposes of this Composite Offer Document are also to provide you with, among other things, information relating to the Group, the Offeror and the details of the Offer and to set out the letter from the Independent Board Committee containing its advice to the Independent Shareholders on the terms of the Offer and the joint letter from Altus Capital and TIS Securities to the Independent Board Committee in respect of the Offer.

### THE OFFER

As set out in the letter from Partners Capital in this Composite Offer Document, Partners Capital, on behalf of the Offeror, is making the Offer to acquire all the issued Shares not already owned by the Offeror and parties acting in concert with it on the following basis:

For each Share .....HK\$0.50 in cash

The offer price represents:

- (a) a premium of approximately 16.28% over the closing price of HK\$0.43 per Share as quoted on the Stock Exchange on 3 June 2005, being the last trading day prior to the suspension of trading of the Shares on 6 June 2005;
- (b) a premium of approximately 33.69% over the average closing price of HK\$0.374 per Share over the 10 trading days up to and including 3 June 2005;
- (c) a premium of approximately 28.53% over the average closing price of HK\$0.389 per Share over the 30 trading days up to and including 3 June 2005; and

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## LETTER FROM THE BOARD

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- (d) a discount of approximately 10.39% to the audited consolidated net tangible asset value per Share of approximately HK\$0.558 as at 31 December 2004 (based on the audited consolidated net tangible assets of the Company of approximately HK\$133,062,000 and 238,389,133 Shares in issue as at the Latest Practicable Date).

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK\$0.56 per Share recorded from 16 March 2005 to 18 March 2005, and HK\$0.26 per Share recorded from 17 December 2004 to 28 December 2004, respectively.

### Further details of the Offer

Further details of the Offer including, among other things, the terms and conditions and the procedures for acceptance are set out in Appendix I to this Composite Offer Document on pages 44 to 49 and the accompanying Form of Acceptance.

### INFORMATION ON THE GROUP

The Company was incorporated in Bermuda with limited liability and its issued Shares are listed on the Main Board of the Stock Exchange. The principal activities of the Group are property investment, investment holding and production and sale of organic fertilizers.

The following table is a summary of the audited financials of the Group for the two years ended 31 December 2004:

	<b>Year ended 31 December</b>	
	<b>2004</b>	<b>2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	15,207	25,287
Profit/(loss) before taxation	11,948	(116,375)
Net profit/(loss) for the year	12,262	(107,791)
Net tangible assets	133,062	101,648
Earnings(loss) per Share	HK\$0.06	HK\$(0.73)
Net tangible assets per Share	HK\$0.56	HK\$0.61

Turnover of the Group represents proceeds from rental income, securities trading and sale of fertilizers. The decrease in turnover for the year 2004 is mainly attributable to the adoption of a conservative investment policy in respect of its securities trading business given the uncertainty of the then stock market condition. Future prospects of this business depend very much on the general stock market condition. With the continued economic recovery in Hong Kong, it is expected that the rental income will continue to provide a stable and recurring sources of revenue to the Group in the near future. Revenue from the fertilizers business was relatively small as compared to the Group's total turnover as this business was acquired by the Group in 2004. Given the unfavourable operating environment arising mainly from the shortage of supply of raw materials coupled with a surge in price thereof, it is expected that the contribution from the fertilizers business in the coming year will be maintained at similar level in 2004. Further detailed financial information of the Group is set out in Appendix II to this Composite Offer Document.

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## LETTER FROM THE BOARD

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### **INTENTION OF THE OFFEROR REGARDING THE GROUP**

The Offeror is optimistic about the property market in Hong Kong and the PRC and intends that the Group will continue its existing businesses, which comprise primarily property investment, and will maintain the listing status of the Company on the Main Board of the Stock Exchange following the close of the Offer. However, the Offeror will conduct a review on the business operation and financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. Subject to the result of the review and should suitable investment or business opportunities arise, the Offeror may consider to further develop the businesses of the Group including, but not limited to, property investments in Hong Kong and the PRC and, subject to market condition, to realise certain property investments and diversify the business scope of the Group with an objective to broaden its income source. However, no such investment or business opportunities have been identified at this stage. The Offeror has no intention to inject the property interests as disclosed in the personal profile of the Offeror Director as set out in the paragraph headed “Information on the Offeror” in the letter from Partners Capital. Any assets injections or disposals by the Group in future will be implemented in accordance with the Listing Rules. Save for the fertilizer business, the Offeror has no intention to redeploy the employees or the fixed assets of the Group other than in its ordinary course of business.

### **MANAGEMENT AND STAFF**

#### **Directors and Management**

It is intended that all the existing executive and non-executive Directors will resign at the earliest time permitted under the Takeovers Code and the Listing Rules. The Offeror intends to appoint new Directors to the Board at the earliest time permitted under the Takeovers Code. Save as disclosed above, it is the intention of the Offeror that there will be no material change in the existing management of the Group.

The biographical details of the proposed new Directors are set out in the letter from Partners Capital. Further announcement will be made by the Company in relation to the appointment of the proposed new Directors.

### **RECOMMENDATIONS**

Your attention is drawn to the letter from the Independent Board Committee and the joint letter from Altus Capital and TIS Securities which set out their respective recommendations in relation to the Offer and the principal factors considered by them in arriving at their recommendations. The letter from Partners Capital is set out on pages 11 to 23 to this Composite Offer Document, the letter from the Independent Board Committee is set out on pages 24 to 25 to this Composite Offer Document and the joint letter from Altus Capital and TIS Securities is set out on pages 26 to 43 to this Composite Offer Document.

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## LETTER FROM THE BOARD

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### MAINTAINING THE LISTING STATUS OF THE COMPANY

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public or if the Stock Exchange believes that:–

- a false market exists or may exist in the trading of the Shares; or
- there are insufficient Shares in public hands to maintain an orderly market;

it will consider exercising its discretion to suspend dealings in the Shares.

The Offeror intends the Company to remain listed on the Stock Exchange. The Offeror Director and the proposed new Directors to be appointed to the Board will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Company's Shares.

### ADDITIONAL INFORMATION

In considering what action to take in connection with the Offer, the Independent Shareholders should consider their own tax positions and, if they are in doubt, they should consult their professional advisers.

Your attention is also drawn to the additional information contained in Appendices I to IV to this Composite Offer Document.

Yours faithfully,  
On behalf of the Board  
**Xu Ying**  
*Chairman*



博大資本國際有限公司  
**Partners Capital International Limited**

Partners Capital International Limited  
Room 1305, 13th Floor  
9 Queen's Road Central  
Hong Kong

15 July 2005

*To the Independent Shareholders*

Dear Sirs

**MANDATORY UNCONDITIONAL CASH OFFER BY  
PARTNERS CAPITAL INTERNATIONAL LIMITED  
ON BEHALF OF  
KEENLEAD HOLDINGS LIMITED  
FOR ALL THE ISSUED SHARES IN  
GREATER CHINA HOLDINGS LIMITED  
(OTHER THAN THOSE SHARES ALREADY OWNED BY  
KEENLEAD HOLDINGS LIMITED  
AND PARTIES ACTING IN CONCERT WITH IT)**

**INTRODUCTION**

On 17 June 2005, the Board and the Offeror jointly announced that on 8 June 2005, the Offeror entered into the S&P Agreements with each of the Vendors for the acquisition of the Sale Shares at an aggregate cash consideration of HK\$48,947,000. Completion took place on 8 June 2005, being the date of the S&P Agreements.

Terms and expressions used herein shall have the same meanings as defined in this Composite Offer Document, unless stated otherwise.

Immediately before Completion, the Offeror had no interest in the Shares but the parties acting in concert with the Offeror, being China Main (in which Ms. Ma is a director) and Madam Zhou Zongfang (who is the mother of Ms. Ma), owned an aggregate of 32,214,400 Shares, representing approximately 13.51% of the existing issued share capital of the Company.

Upon Completion, the Offeror and parties acting in concert with it owned an aggregate of 130,108,400 Shares, representing approximately 54.58% of the existing issued share capital of the Company. Under Rule 26.1 of the Takeovers Code, the Offeror is required to make an unconditional mandatory cash offer for all the issued Shares not already owned by the Offeror and parties acting in concert with it. The Offer is unconditional in all respects.

This letter sets out details of the S&P Agreements, the terms of the Offer, together with the information on the Offeror and the intention of the Offeror regarding the future of the Group. Further details of the terms of the Offer are set out under the section headed "Acceptance and settlement" below, in Appendix I to this Composite Offer Document and in the accompanying Form of Acceptance.

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## LETTER FROM PARTNERS CAPITAL

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Independent Shareholders are strongly advised to consider carefully the information contained in the letter from the Board set out on pages 6 to 10, the letter from the Independent Board Committee set out on pages 24 to 25 and the joint letter from Altus Capital and TIS Securities, the joint independent financial advisers to the Independent Board Committee in relation to the Offer, set out on pages 26 to 43 of this Composite Offer Document of which this letter forms part.

### S&P AGREEMENTS

On 8 June 2005, the Offeror entered into the S&P Agreements with each of the Vendors for the acquisition of the Sale Shares, the principal terms of which are set out as follows:

- Date:** 8 June 2005
- Vendors:**
1. Suntek Corp., being one of the Vendors in respect of 23,186,000 Sale Shares
  2. Billion Charm Holdings Limited, being one of the Vendors in respect of 33,100,000 Sale Shares
  3. Mr. Chen Changgui, being one of the Vendors in respect of 41,608,000 Sale Shares
- Purchaser:** the Offeror, a company incorporated in the British Virgin Islands with limited liability and legally and beneficially wholly owned by Ms. Ma.
- Sale Shares:** an aggregate of 97,894,000 Shares, representing approximately 41.07% of the entire issued share capital of the Company as at the Latest Practicable Date. The Sale Shares were acquired free from all Encumbrances and with all rights attached or accruing thereto as from the date of the S&P Agreements.
- Aggregate consideration:** HK\$48,947,000 (equivalent to HK\$0.50 per Sale Share), which was negotiated and determined on an arm's length basis between the Offeror and the Vendors and has been fully paid by the Offeror in cash upon Completion.
- The price of HK\$0.50 per Sale Share represents (a) a premium of approximately 16.28% over the closing price of HK\$0.43 per Share as quoted on the Stock Exchange on 3 June 2005, being the last trading day prior to the suspension of trading in the Shares on 6 June 2005; and (b) a premium of approximately 33.69% over the average closing price of approximately HK\$0.374 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days prior to the suspension of the trading in the Shares on 6 June 2005.
- Completion:** Completion took place on 8 June 2005, being the date of the S&P Agreements.

## LETTER FROM PARTNERS CAPITAL

The shareholding structures of the Company immediately before and after Completion are set out as follows:

	Shareholding structure immediately before Completion		Shareholding structure immediately after Completion	
	Number of Shares	Approximate percentage	Number of Shares	Approximate percentage
Suntek Corp. (note 1)	23,186,000	9.726	–	–
Billion Charm Holdings Limited (note 2)	33,100,000	13.885	–	–
Mr. Chen Changgui	41,608,000	17.454	–	–
the Vendors	97,894,000	41.065	–	–
the Offeror	–	–	97,894,000	41.065
China Main (note 3)	32,000,000	13.423	32,000,000	13.423
Madam Zhou Zongfang (note 4)	214,400	0.090	214,400	0.090
the Offeror and parties acting in concert with it	32,214,400	13.513	130,108,400	54.578
Hai Xia Finance Limited (note 5)	12,200,000	5.118	12,200,000	5.118
Public	96,080,733	40.304	96,080,733	40.304
Total	<u>238,389,133</u>	<u>100.000</u>	<u>238,389,133</u>	<u>100.000</u>

*Notes:*

1. The entire issued share capital of Suntek Corp. is wholly and beneficially owned by Mr. Chiu Winerthan who does not hold any position in the Group.
2. The entire issued share capital of Billion Charm Holdings Limited is wholly and beneficially owned by Mr. Huang Lai Pei who does not hold any position in the Group.
3. China Main is the beneficial owner of 32,000,000 Shares as at the Latest Practicable Date. As stated in the 2004 annual report of the Company, Shenzhen Venture Capital (BVI) Company Limited (“Shenzhen Venture Capital”) reported that it has a security interest in 32,000,000 Shares. China Main confirmed that such 32,000,000 Shares have been pledged to Shenzhen Venture Capital for securing a loan advanced to China Main. It was further stated in the 2004 annual report of the Company that Shenzhen Venture Capital was owned as to 50% by Mr. Mei Jian and 50% by Mr. Zhang Minlong.
4. Madam Zhou Zongfang is the mother of Ms. Ma and is the beneficial owner of 214,400 Shares as at the Latest Practicable Date.
5. Hai Xia Finance Limited is a wholly-owned subsidiary of Iwai’s Investments Limited, which in turn is a wholly-owned subsidiary of China Gas Holdings Limited, the issued shares of which are listed on the Main Board of the Stock Exchange.

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## LETTER FROM PARTNERS CAPITAL

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### THE OFFER

Partners Capital, on behalf of the Offeror, hereby offers to acquire all the issued Shares not already owned by the Offeror and parties acting in concert with it on the following basis:

For each Share .....HK\$0.50 in cash

As at the Latest Practicable Date, the Company had 238,389,133 Shares in issue and there were no outstanding warrants, options or securities convertible into Shares.

Hai Xia Finance Limited which is interested in 12,200,000 Shares, representing approximately 5.12% of the total issued share capital of the Company, has undertaken to the Offeror not to accept the Offer and not to dispose of its Shares during the period of the Offer. Hai Xia Finance Limited is a wholly-owned subsidiary of Iwai's Investments Limited, which in turn is a wholly-owned subsidiary of China Gas Holdings Limited, the issued shares of which are listed on the Main Board of the Stock Exchange. Hai Xia Finance Limited is not acting in concert with the Offeror and its beneficial owner. Save as disclosed above, as at the Latest Practicable Date, no person has irrevocably committed to accepting or rejecting the Offer.

There is no arrangement (whether by way of option, indemnity or otherwise) in relation to the shares of the Offeror or the Company which might be material to the Offer.

### The Offer

The Offer is unconditional in all respects and, unless revised or extended, will remain open for acceptance until 4:00 p.m. on Friday, 5 August 2005. Acceptances of the Offer shall be irrevocable and, subject to the right of withdrawal set out in Appendix I to this Composite Offer Document, once given cannot be withdrawn.

The procedure for acceptance and further terms of the Offer are set out in Appendix I to this Composite Offer Document and the accompanying Form of Acceptance.

### Comparison of value

The offer price of HK\$0.50 per Share is equal to the consideration paid by the Offeror for each Sale Share and represents:

- (a) a premium of approximately 16.28% over the closing price of HK\$0.43 per Share as quoted on the Stock Exchange on 3 June 2005, being the last trading day prior to the suspension of trading of the Shares on 6 June 2005;
- (b) a premium of approximately 33.69% over the average closing price of HK\$0.374 per Share over the 10 trading days up to and including 3 June 2005;
- (c) a premium of approximately 28.53% over the average closing price of HK\$0.389 per Share over the 30 trading days up to and including 3 June 2005; and



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## LETTER FROM PARTNERS CAPITAL

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- (d) a discount of approximately 10.39% to the audited consolidated net tangible asset value per Share of approximately HK\$0.558 as at 31 December 2004 (based on the audited consolidated net tangible assets of the Company of approximately HK\$133,062,000 and 238,389,133 Shares in issue as at the Latest Practicable Date).

Please refer to the paragraph headed “Market prices” in Appendix IV to this Composite Offer Document for further information on the market prices of the Shares.

### **Dealings in and holdings of the Shares and other securities by the Offeror during the Relevant Period**

Immediately after Completion and as at the Latest Practicable Date, the Offeror held 97,894,000 Shares, representing approximately 41.07% of the issued share capital of the Company and the parties acting in concert with the Offeror, being China Main and Madam Zhou Zongfang, held 32,214,400 Shares, representing approximately 13.51% of the issued share capital of the Company.

Save as disclosed above, none of the Offeror Director, the Offeror and parties acting in concert with the Offeror had dealt in or owned any Shares or any other securities of the Company convertible into Shares, including options or subscription rights during the Relevant Period.

### **Highest and lowest prices**

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK\$0.56 per Share recorded from 16 March 2005 to 18 March 2005, and HK\$0.26 per Share recorded from 17 December 2004 to 28 December 2004, respectively.

### **Total consideration and financial resources**

As at the Latest Practicable Date, there were 238,389,133 Shares in issue. At the offer price of HK\$0.50 per Share, the entire issued share capital of the Company was valued at approximately HK\$119.2 million.

Based on 108,280,733 Shares subject to the Offer, the Offer is valued at approximately HK\$54.1 million.

The consideration paid by the Offeror under the S&P Agreements was primarily financed by a loan advanced by Madam Chen Oyan Yun Shai (“Madam Oyan”). The Offeror has obtained a loan facility from Coutts Bank von Ernst Limited in the amount of US\$5 million (equivalent to approximately HK\$39 million), and a short term loan facility from Sanfull Securities Limited in the amount of HK\$16 million for the purpose of financing the Offer. The 97,894,000 Shares acquired by the Offeror under the S&P Agreements and all Shares tendered by the Independent Shareholders under the Offer will be pledged to Sanfull Securities Limited upon drawdown of the loan facility. The banking facility from Coutts Bank von Ernst Limited is secured by a charge over the deposit account maintained by Ms. Ma with, as the condition of the facility, a credit balance of not less than US\$5 million. The US\$5 million deposit was financed by another loan advanced by Madam Oyan. All the loans advanced by Madam Oyan to Ms. Ma are unsecured and bear interest at the agreed rate over one month fixed deposit rate quoted from The Hongkong and Shanghai Banking Corporation Limited payable on the maturity date which is the fifth anniversary of the granting of the loans. As Madam Oyan is an established acquaintance of Ms. Ma for

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## LETTER FROM PARTNERS CAPITAL

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more than five years and is knowledgeable about the property market of Hong Kong in which the Company is engaged and given that the loan is interest bearing, Madam Oyan considers it appropriate and acceptable to provide financial assistance to Ms. Ma. There is no agreement, arrangement or understanding between Ms. Ma and Madam Oyan in respect of the Company. Brief particulars of Madam Oyan are set out in the section headed "Information on the Offeror".

The repayment of any amount due under the loan facilities granted by either Coutts Bank von Ernst Limited or Sanfull Securities Limited will not depend on the business of the Company. Partners Capital is satisfied that sufficient financial resources are available to the Offeror to satisfy full acceptance of the Offer.

### **Effects of accepting the Offer**

By accepting the Offer, the Independent Shareholders will sell their Shares to the Offeror free from all Encumbrances and with all rights attached to them as from the date of the Joint Announcement, including the right to receive all dividends and distributions declared, paid or made on or after the date of the Joint Announcement.

### **Stamp duty**

Seller's ad valorem stamp duty arising in connection with acceptance of the Offer at a rate of HK\$1.00 for every HK\$1,000 (or part thereof) of the greater of (i) the consideration payable in respect of the relevant acceptance by the Independent Shareholders; and (ii) the market value of the Shares will be deducted from the consideration payable to such Independent Shareholders who accept the Offer and will be settled by the Offeror on behalf of such accepting Independent Shareholders. The Offeror will arrange for payment of the stamp duty in connection with the acceptance of the Offer and the transfer of the Shares.

### **Payment**

Payment (after the deduction of the sellers' share of stamp duty) in cash in respect of acceptances of the Offer will be made within 10 days from the date on which the relevant documents of title are received by the Offeror to render each such acceptance complete and valid.

### **MAINTAINING THE LISTING OF THE COMPANY**

**The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public or if the Stock Exchange believes that:—**

- a false market exists or may exist in the trading of the Shares; or**
- there are insufficient Shares in public hands to maintain an orderly market;**

**it will consider exercising its discretion to suspend dealings in the Shares.**

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## LETTER FROM PARTNERS CAPITAL

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The Offeror intends the Company to remain listed on the Stock Exchange. The Offeror Director and the proposed new Directors to be appointed to the Board will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Company's Shares.

The Offeror has no intention to privatise the Company. The Offeror intends to maintain the listing of the Shares on the Stock Exchange and not avail itself of any powers of compulsory acquisition.

### INFORMATION ON THE COMPANY

The Company was incorporated in Bermuda with limited liability and its issued Shares are listed on the Main Board of the Stock Exchange. The principal activities of the Group are property investment, investment holding and production and sale of organic fertilizers.

The following table is a summary of the audited financials of the Group for the two years ended 31 December 2004:

	Year ended 31 December	
	2004	2003
	HK\$'000	HK\$'000
Turnover	15,207	25,287
Profit/(loss) before taxation	11,948	(116,375)
Net profit/(loss) for the year	12,262	(107,791)
Net tangible assets	133,062	101,648
Earnings(loss) per Share	HK\$0.06	HK\$(0.73)
Net tangible assets per Share	HK\$0.56	HK\$0.61

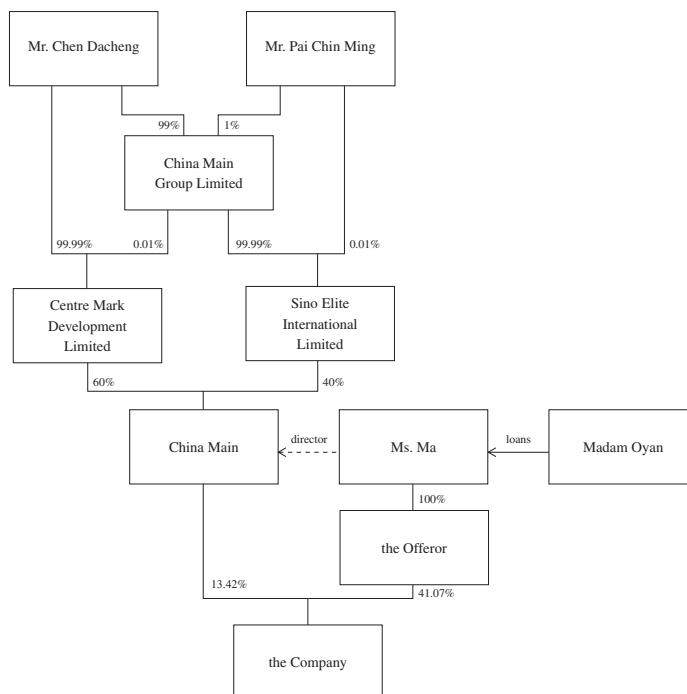
### INFORMATION ON THE OFFEROR

The Offeror is an investment holding company incorporated in the British Virgin Islands with limited liability on 10 March 2005 and is legally and beneficially wholly owned by Ms. Ma. Save for the entering into of the S&P Agreements, the Offeror has not conducted any business since its incorporation and does not have any assets. Ms. Ma is the sole director of the Offeror.

In addition to her interests in the Offeror, Ms. Ma is a director of China Main which is interested in 32,000,000 Shares, representing approximately 13.42% of the entire issued share capital of the Company as at the Latest Practicable Date. China Main is a company incorporated in Hong Kong with limited liability.

## LETTER FROM PARTNERS CAPITAL

The shareholding structure of China Main and the Offeror is as follows:



Mr. Chen Dacheng is principally engaged in property investment, investment in securities and trading in Hong Kong and the PRC and Mr. Pai Chin Ming is principally engaged in property investment in Hong Kong. Neither the funding for the acquisition of the Sales Shares by the Offeror nor the financial resources for the Offer was and will be financed by China Main, Mr. Chen Dacheng and/or Mr. Pai Chin Ming. Both Mr. Chen Dacheng and Mr. Pai Chin Ming do not hold any position in the Group.

Madam Zhou Zongfang, the mother of Ms. Ma, is also interested in 214,400 Shares, representing approximately 0.09% of the entire issued share capital of the Company as at the Latest Practicable Date. Save for the shareholding of China Main and Madam Zhou Zongfang in the Company, none of the Offeror Director, the Offeror, its beneficial owner nor the parties acting in concert with any of them owned any Shares prior to the entering into of the S&P Agreements. Madam Oyan is presumed to be party acting in concert with Ms. Ma.

Madam Oyan, who has financially assisted Ms. Ma for the acquisition of the Sale Shares under the S&P Agreements and the making of the Offer, was born in Taiwan and had become a Malaysian citizen since 1980. According to the representations of Madam Oyan, she has been engaged in an extensive range of businesses in various countries including, inter alia, Malaysia, Hong Kong, the PRC and Taiwan, in particular, as the beneficial owner of two residential and commercial development projects which are known as “Taman Megai” in Kuala Lumpur, Malaysia with an aggregate investment amount of around US\$24 million. Madam Oyan also informed the Offeror that in Taiwan, she is the major shareholder of Nature Worldwide Technology Corporation engaging in the manufacturing of lab-top computers and portable computer servers and, in Hong Kong and the PRC, she is the President of two agent companies, namely Star Promotion International Limited and Guangzhou Daley PR & Communications Company Limited, designated by the Tourist Board of Malaysia for engaging in advertising and market promotion. According to Madam Oyan, she is also the Chairman of Fuji Property Management Limited, a property management company in Hong Kong designated by the Malaysian government to carry out property management for Malaysia Building in Wanchai, Hong Kong. Madam Oyan will not be appointed as a Director of the Group.

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## LETTER FROM PARTNERS CAPITAL

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Save in respect of the S&P Agreements, immediately before Completion, neither the Offeror nor its beneficial owner has any financial or other business connection with the Vendors and their respective concert parties. Immediately after Completion, the sole business activity of the Offeror is investment holding and it owns 97,894,000 Shares, representing approximately 41.07% of the issued share capital of the Company.

### **INTENTION OF THE OFFEROR IN RELATION TO THE FUTURE OF THE GROUP**

According to the annual report of the Company for the year ended 31 December 2004, the Group recorded a turnover of approximately HK\$15,207,000 and net profit for the year amounted to approximately HK\$12,262,000. For the year ended 31 December 2004, rental income from the Group's investment properties and the revenue from production and sale of fertilizers amounted to approximately HK\$8,235,000 and approximately HK\$6,420,000 respectively. The properties held for investment by the Group comprises various retail shops and office units of 1 Lyndhurst Tower, 1 Lyndhurst Terrace, 78 Wellington Street, Central, Hong Kong and over 95% of the total gross floor area of the investment properties was leased out in 2004. It is expected that the rental income would provide a recurrent income for the Group in the coming years.

The Offeror is optimistic about the property market in Hong Kong and the PRC and intends that the Group will continue its existing property investment businesses and will maintain the listing status of the Company on the Main Board of the Stock Exchange following the close of the Offer. However, the Offeror will conduct a review on the business operation and financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. Subject to the result of the review and should suitable investment or business opportunities arise, the Offeror may consider to further develop the businesses of the Group including, but not limited to, property investments in Hong Kong and the PRC and, subject to market condition, to realise certain property investments and diversify the business scope of the Group with an objective to broaden its income source. However, no such investment or business opportunities have been identified at this stage. The Offeror has no intention to inject the property interests as disclosed in the personal profile of Ms. Ma as set out in the paragraph headed "Information on the Offeror" above. Any assets injections or disposals by the Group in future will be implemented in accordance with the Listing Rules.

The Offeror also noted from the annual report of the Company for the year ended 31 December 2004 that the fertilizer business, which was acquired by the Group in 2004 at a revised consideration of HK\$5 million, had already incurred an operating loss of approximately HK\$2.2 million for the year ended 31 December 2004. In view of the unsatisfactory financial performance of the fertilizer company and the fact that the fertilizer business is not the core business of the Group, the Offeror will review the business operation of the fertilizer company and consider whether the Group should continue to operate the fertilizer business. Save for the fertilizer business, the Offeror has no intention to redeploy the employees or the fixed assets of the Group other than in its ordinary course of business.

The Offeror does not intend to transfer to any other persons the Shares it acquired under the Offer other than placing arrangements required to maintain the minimum public float of the Company as required under the Listing Rules.

### DIRECTORS AND MANAGEMENT

It is intended that all the existing executive and non-executive Directors will resign at the earliest time permitted under the Takeovers Code and the Listing Rules. The Offeror intends to appoint new Directors to the Board at the earliest time permitted under the Takeovers Code. Further announcement(s) will be made upon such appointments in due course. Any appointments of new Directors by the Offeror will be in full compliance with the requirements of the Takeovers Code and the Listing Rules. Save as disclosed above, it is the intention of the Offeror that there will be no material change in the existing management of the Group.

The biographical details of the proposed new Directors are set out below:

#### **Executive Directors**

**Ms. Ma Xiaoling**, aged 29, is a Hong Kong resident and graduated from Lanzhou Commercial College (蘭州商學院) in the PRC in 1998 majoring in International Trade and obtained a Bachelor Degree in Economics. Ms. Ma has over six years of experience in property development and investments in the PRC and Hong Kong, including investments in luxurious residential property units at Severn Villa, No. 3 Severn Road, Hong Kong and the whole office building at 8 Wyndham Street, Central, Hong Kong. Ms. Ma has been acting as the director of the investment companies, namely Master Zen Ltd. and Alfa Star Ltd., holding these Hong Kong properties and has no shareholding interest in such holding companies. Such holding companies are wholly owned by China Main. Ms. Ma is also interested in 30% of the equity interest in 深圳市亨瑞投資發展有限公司 (Shenzhen Hengrui Investment & Development Co., Ltd.), a company incorporated in the PRC, since 2002 whose principal business is development and operation of a large scale shopping mall known as 大世界商城 (Great World Mall), which comprises seven storeys and two levels of underground car parks with a gross floor area of around 67,000 square metres, in Louhu District, Shenzhen, the PRC. Ms. Ma has been the Vice-Chairman since 2002 and has been responsible for the strategic planning and development, construction, management and operations of 大世界商城 (Great World Mall). The remaining 70% of the equity interest in Shenzhen Hengrui Investment & Development Co., Ltd. is held by independent third parties not acting in concert with the Offeror and its beneficial owner. Ms. Ma will be responsible for the business development and overall strategic planning of the Group.

**Mr. Chan Sze Hon**, aged 32, graduated from City University of Hong Kong with a Bachelor of Arts Degree in Accountancy. Mr. Chan is a Certified Public Accountant (Practising) of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants. Mr. Chan will be responsible for the supervision of the operation of the Group with focus on the accounting affairs and financial control of the Group. Mr. Chan has been working with Deloitte Touche Tohmatsu for more than eight years from 1995 to 2004 and was the Chief Financial Officer of a health food and beverage group company in Hong Kong.

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## LETTER FROM PARTNERS CAPITAL

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### Independent non-executive Directors

**Mr. Ching Men Ky Carl**, aged 61, graduated from 私立香港德明學院 (Tak Ming College) with a Bachelor Degree in Business and was awarded with an Honorable Doctorate Degree from 北京國際商務學院 (Beijing International Business School) in the PRC. Mr. Ching is the major shareholder of a construction and investment company in Macau. He was appointed as the Honourable Professor of 上海體育學院 (Shanghai Institute of Physical Education) in 2002 and the Visiting Professor of 鄭州大學 (Zhenzhou University) in 2004. Mr. Ching has also acted as the Vice Chairman of 廣西國際信托投資公司 (Guangxi International Trust and Investment Company Limited) and the Vice Chairman of the Executive Council (the first session) of 北京大學數字中國研究院 (the Digital China Research Institute of Peking University). Mr. Ching has also been participating in various social activities and has been acting as the director of United World Chinese Association Limited (世界華人協會有限公司) and the director of Asian Professional Basketball Management and Development Company Limited (亞洲職業籃球管理發展有限公司). He was also awarded with various honour and certificates by various cities including Atlanta, New York and Los Angeles in the United State of America and Seoul in Korea.

**Mr. Lin Ruei-min**, aged 62, graduated from the 政治作戰學校政治系 (Department of Politics of Fu Hsing Kang College) in Taiwan. Mr. Lin is currently the Chief Consultant of an asset management consultant company in Taiwan which is mainly engaged in provision of corporate finance services, personalized financial solutions and management solutions for young entrepreneurs. He is the founder of Taiwan branch of United World Chinese Association Limited (世界華人協會有限公司).

**Mr. Shu Wa Tung Laurence**, aged 32, graduated from Deakin University in Australia with a Bachelor Degree in Business majoring in Accounting. Mr. Shu is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a CPA member of CPA Australia. He has over 10 years of experience in audit, corporate finance and corporate advisory services. Mr. Shu is currently the chief financial officer and company secretary of Texhong Textile Group Limited, the shares of which are listed on the Main Board of the Stock Exchange.

The Offeror does not expect that there will be any changes to the continued employment of the employees of the Group or to the employment terms or conditions of the employees of the Group as a result of the Offer.

### TAXATION

Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting the Offer. It is emphasised that none of the Company, the Offeror, Partners Capital nor any of their respective directors nor any person involved in the Offer accepts responsibility for any tax effects or liabilities of any person or persons as a result of their acceptance of the Offer.



### ACCEPTANCE AND SETTLEMENT

#### (a) Procedures for acceptance of the Offer

##### *The Offer*

To accept the Offer, you should complete and sign the accompanying Form of Acceptance in accordance with the instructions printed thereon, the terms of which form part of the terms of the Offer.

The completed Form of Acceptance should be forwarded, together with the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for not less than the number of Shares in respect of which you intend to accept under the Offer, by post or by hand to the Registrar in an envelope marked “**Greater China Offer**” as soon as possible but in any event so as to reach the Registrar by not later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror shall determine and announce with the consent of the Executive and in accordance with the Takeovers Code. No acknowledgement of receipt of any Form of Acceptance, share certificate(s), and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

Your attention is drawn to the further details regarding the procedure for acceptance set out in Appendix I to this Composite Offer Document and the accompanying Form of Acceptance.

#### (b) Settlement of the Offer

Provided that the Form of Acceptance and Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are in complete and good order and have been duly received by the Registrar by not later than the latest time for acceptance, a cheque for the amount due to each of the Independent Shareholders less stamp duty in respect of the Shares tendered by them under the Offer will be despatched to each of them as soon as possible but in any event within 10 days from the date on which all the relevant documents are received by the Registrar to render such acceptance complete and valid.

### OVERSEAS SHAREHOLDERS

As the making of the Offer to persons not resident in Hong Kong may be affected by the laws of the relevant jurisdiction in which they are resident, Overseas Shareholders who are citizens or residents or nationals of a jurisdiction outside Hong Kong should inform themselves about and observe any and all applicable legal or regulatory requirements and where necessary seek legal advice.

It is the responsibility of any Overseas Shareholder who wishes to accept the Offer to satisfy himself/herself/itself as to the full observance of the laws of any relevant jurisdiction in connection therewith, including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdiction.



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## LETTER FROM PARTNERS CAPITAL

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### GENERAL

To ensure equality of treatment of all Shareholders, those registered Shareholders who hold Shares as nominee for more than one beneficial owner(s) should, as far as practicable, treat the holding of each beneficial owner separately. In order for the beneficial owners of the Shares whose investments are registered in nominees names to accept the Offer, it is essential that they provide instructions to their nominees of their intentions with regard to the Offer.

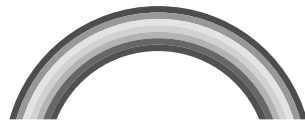
All documents and remittances sent to Independent Shareholders will be sent to them by ordinary post at their own risk. Such documents and remittances will be sent to the Independent Shareholders at their addresses as they appear in the register of members of the Company or, in the case of joint Shareholders, to the Shareholders whose name stand first in the relevant register. None of the Company, the Offeror, Partners Capital or any of their respective directors or any other person involved in the Offer will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof.

### ADDITIONAL INFORMATION

Your attention is drawn to (i) the letter from the Board set out on pages 6 to 10 of this Composite Offer Document; (ii) the letter from the Independent Board Committee to the Independent Shareholders set out on pages 24 to 25 of this Composite Offer Document; and (iii) the joint letter from Altus Capital and TIS Securities to the Independent Board Committee set out on pages 26 to 43 of this Composite Offer Document.

Your attention is also drawn to the additional information set out in the Appendices, which form part of this Composite Offer Document.

Yours faithfully  
for and on behalf of  
**Partners Capital International Limited**  
**Alan Fung**                      **Harry Yu**  
*Managing Director*              *Director*



**大中華實業控股有限公司\***  
**GREATER CHINA HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

15 July 2005

*To the Independent Shareholders*

Dear Sir or Madam

**MANDATORY UNCONDITIONAL CASH OFFER BY  
PARTNERS CAPITAL INTERNATIONAL LIMITED  
ON BEHALF OF  
KEENLEAD HOLDINGS LIMITED  
FOR ALL THE ISSUED SHARES IN  
GREATER CHINA HOLDINGS LIMITED  
(OTHER THAN THOSE SHARES ALREADY OWNED BY  
KEENLEAD HOLDINGS LIMITED  
AND PARTIES ACTING IN CONCERT WITH IT)**

**INTRODUCTION**

We refer to the Composite Offer Document dated 15 July 2005 jointly issued by the Company and the Offeror of which this letter forms part. Terms defined in the Composite Offer Document shall have the same meanings in this letter unless the context otherwise requires.

As Directors who are independent of the parties to the Offer, we have been appointed as members of the Independent Board Committee to consider the terms of the Offer and to advise you as to whether, in our opinion, the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Altus Capital and TIS Securities have been appointed as the joint independent financial advisers to advise the Independent Board Committee in respect of the terms of the Offer. Details of its advice and the principal factors taken into consideration in arriving at its recommendation are set out in the joint letter from Altus Capital and TIS Securities set out on pages 26 to 43 of the Composite Offer Document.

We also wish to draw your attention to (i) the letter from the Board; (ii) the letter from Partners Capital and (iii) the additional information set out in the Appendices to the Composite Offer Document.

\* *for identification purpose only*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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### RECOMMENDATION

Having taking into account the terms of the Offer and the advice of Altus Capital and TIS Securities, we consider that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned and advise the Independent Shareholders to accept the Offer.

Yours faithfully,

For and on behalf of

**the Independent Board Committee**

**Wang Xianjun**

**Wan Tze Fan Terence**

**Liu Feng Liang**

*Independent non-executive Directors*

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## JOINT LETTER FROM ALTUS CAPITAL AND TIS SECURITIES

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*The following is the text of the letter of advice from Altus Capital and TIS Securities to the Independent Board Committee in relation to the Offer for the purpose of inclusion in this Composite Offer Document.*

### **ALTUS CAPITAL LIMITED**

8/F Hong Kong Diamond Exchange Building  
8 Duddell Street, Central  
Hong Kong



### **TIS Securities (HK) Limited**

Unit 1010, 10/F, Tower Two, Lippo Centre  
89 Queensway  
Hong Kong

*The Independent Board Committee*

### **Greater China Holdings Limited**

Room 1804  
1 Lyndhurst Tower  
1 Lyndhurst Terrace  
Central  
Hong Kong

15 July 2005

Dear Sirs / Madams,

**MANDATORY UNCONDITIONAL CASH OFFER BY  
PARTNERS CAPITAL INTERNATIONAL LIMITED  
ON BEHALF OF  
KEENLEAD HOLDINGS LIMITED  
FOR ALL THE ISSUED SHARES OF HK\$0.005 EACH IN  
THE SHARE CAPITAL OF GREATER CHINA HOLDINGS LIMITED  
(OTHER THAN THOSE SHARES ALREADY OWNED BY  
KEENLEAD HOLDINGS LIMITED AND PARTIES ACTING IN CONCERT WITH IT)**

### **INTRODUCTION**

We refer to our engagement as joint independent financial advisers to advise the Independent Board Committee in respect of the Offer. Details of the Offer are set out in the composite offer and response document in relation to the mandatory unconditional cash offer by Partners Capital on behalf of the Offeror for all the issued Shares of HK\$0.005 each in the share capital of the Company (other than those Shares already owned by the Offeror and parties acting in concert with it) (the “Document”) dated 15 July 2005 to all the Independent Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Document unless the context requires otherwise.

The Independent Board Committee has been established to advise the Independent Shareholders in relation to the Offer. We have been appointed to advise the Independent Board Committee as to whether or not the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned, and to give our opinion in relation to the Offer for the Independent Board Committee’s consideration in making their recommendation to the Independent Shareholders.

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## JOINT LETTER FROM ALTUS CAPITAL AND TIS SECURITIES

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In assessing the eligibility of the Directors to be a member of the Independent Board Committee, we have considered and taken into account the confirmation given by each of the Directors in respect of their interests, if any, in the Company. We noted that Mr. Xu Ying and Mr. Liu Ming Hui are not regarded as independent in making any recommendation in relation to the Offer as they are salaried employees of the Company. Based on the foregoing, we are of the view that Mr. Xu Ying and Mr. Liu Ming Hui are not eligible to be members of the Independent Board Committee while Mr. Wang Xianjun, Mr. Wan Tze Fan, Terence and Mr. Liu Feng Liang, all being independent non-executive Directors and independent in respect of the Offer, are eligible to be members of the Independent Board Committee. The Independent Board Committee thus comprises Mr. Wang Xianjun, Mr. Wan Tze Fan, Terence and Mr. Liu Feng Liang.

### **BASIS OF OUR OPINION**

In formulating our opinion, we have relied on the accuracy of the information, facts and representations contained or referred to in the Document and the accuracy of the information, facts and representations provided by, and the opinions expressed by the Company and the Directors. We have assumed that all information, facts, opinions and representations made or referred to in the Document were true at the time they were made and continued to be true at the date of the Document. All the Directors jointly and severally accept full responsibilities for the accuracy of the information contained in the Document (other than information relating to the Offeror and any person acting in concert with it, the terms of the Offer and the future intention of the Offeror and any person acting in concert with it regarding the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Document (other than those expressed by the Offeror and any person acting in concert with it) have been arrived at after due and careful consideration and there are no other facts not contained in this Document (other than those relating to the Offeror or any person acting in concert with it), which would make any statement in the Document misleading if omitted. We have no reason to suspect that such information is inaccurate or that any material facts have been omitted or withheld from the information supplied or opinions expressed in the Document. We consider that we have reviewed sufficient information to reach an informed view and to justify reliance on the accuracy of the information contained in the Document and to provide a reasonable basis for our recommendation. We have relied on such information and opinions and have not, however, conducted any independent investigation into the business, financial conditions and affairs or the future prospect of the Group.

The sole director of the Offeror accepts full responsibilities for the accuracy of the information contained in the Document (other than information relating to the Group) and confirms, having made all reasonable enquiries, that to the best of her knowledge, opinions expressed in the Document (other than those expressed by the Group) have been arrived at after due and careful consideration and there are no other facts not contained in this Document, which would make any statement in the Document misleading if omitted.

We have not considered the tax consequences on the Independent Shareholders of their acceptances or non-acceptances of the Offer since these are particular to their own individual circumstances. In particular, the Independent Shareholders who are residents outside Hong Kong or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions with regard to the Offer and, if in any doubt, should consult their own professional advisers.

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# JOINT LETTER FROM ALTUS CAPITAL AND TIS SECURITIES

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## BACKGROUND INFORMATION

On 17 June 2005, the Board and the Offeror jointly announced that on 8 June 2005, the Vendors entered into the S&P Agreements with the Offeror pursuant to which the Offeror agreed to purchase 97,894,000 Sale Shares at a price of HK\$0.50 per Sale Share for an aggregate consideration of HK\$48,947,000. The Offeror is an investment holding company incorporated in the British Virgin Islands with limited liability on 10 March 2005 and is legally and beneficially wholly owned by Ms. Ma. Save for entering into the S&P Agreements, the Offeror has not conducted any business since its incorporation and does not have any assets. Ms. Ma is the sole director of the Offeror.

In addition to her interests in the Offeror, Ms. Ma is also a director of China Main which holds 32,000,000 Shares, representing approximately 13.42% of the entire issued share capital of the Company as at the Latest Practicable Date. China Main is a company incorporated in Hong Kong with limited liability and owned as to 60% by Centre Mark Development Limited and as to 40% by Sino Elite International Limited. Centre Mark Development Limited is owned as to 99.99% by Mr. Chen Dacheng and as to 0.01% by China Main Group Limited. Sino Elite International Limited is owned as to 99.99% by China Main Group Limited and as to 0.01% by Mr. Pai Chin Ming. China Main Group Limited is owned as to 99% by Mr. Chen Dacheng and as to 1% by Mr. Pai Chin Ming. Mr. Chen Dacheng is principally engaged in property investment, investment in securities and trading in Hong Kong and the PRC and Mr. Pai Chin Ming is principally engaged in property investment in Hong Kong. Neither the funding for the acquisition of the Sale Shares by the Offeror nor the financial resources for the Offer was and will be financed by China Main, Mr. Chen Dacheng and/or Mr. Pai Chin Ming. Both Mr. Chen Dacheng and Mr. Pai Chin Ming do not hold any position in the Group.

Madam Zhou Zongfang, the mother of Ms. Ma, is also interested in 214,400 Shares, representing approximately 0.09% of the entire issued share capital of the Company as at the Latest Practicable Date. Save for the shareholding of China Main and Madam Zhou Zongfang in the Company, none of the Offeror Director, the Offeror, its beneficial owner nor the parties acting in concert with any of them owned any Shares prior to the entering into of the S&P Agreements. Madam Oyan is presumed to be party acting in concert with Ms. Ma.

Madam Oyan, who has financially assisted Ms. Ma for the acquisition of the Sale Shares under the S&P Agreements and the making of the Offer, was born in Taiwan and had become a Malaysian citizen since 1980. According to the representations of Madam Oyan, she has been engaged in an extensive range of businesses in various countries including, inter alia, Malaysia, Hong Kong, the PRC and Taiwan, in particular, as the beneficial owner of two residential and commercial development projects which are known as "Taman Megai" in Kuala Lumpur, Malaysia with an aggregate investment amount of around US\$24 million. Madam Oyan also informed the Offeror that in Taiwan, she is the major shareholder of Nature Worldwide Technology Corporation engaging in the manufacturing of lab-top computers and portable computer servers and, in Hong Kong and the PRC, she is the President of two agent companies, namely Star Promotion International Limited and Guangzhou Daley PR & Communications Company Limited, designated by the Tourist Board of Malaysia for engaging in advertising and market promotion. According to Madam Oyan, she is also the Chairman of Fuji Property Management Limited, a property

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## JOINT LETTER FROM ALTUS CAPITAL AND TIS SECURITIES

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management company in Hong Kong designated by the Malaysian government to carry out property management for Malaysia Building in Wanchai, Hong Kong. Madam Oyan will not be appointed as a Director of the Group.

The S&P Agreements were completed on 8 June 2005, being the date of the S&P Agreements. Following Completion, as at the Latest Practicable Date, the Offeror and parties acting in concert with it owned an aggregate of 130,108,400 Shares, representing approximately 54.58% of the entire issued share capital of the Company. Accordingly, under Rule 26.1 of the Takeovers Code, the Offeror and parties acting in concert with it were obliged to make a mandatory unconditional cash offer for all the issued Shares which are not already owned or agreed to be acquired by them.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion, we have taken into consideration the following principal factors and reasons:

#### 1. The Offer Price

Partners Capital, on behalf of the Offeror, is making the Offer for all issued Shares (other than those already owned by the Offeror and parties acting in concert with it) on the following basis:

**For each Share (equivalent to the consideration paid by  
the Offeror for each Sale Share) ..... HK\$0.50 in cash**

There were no outstanding options, warrants or securities convertible or exchangeable into Shares as at the Latest Practicable Date.

As stated in the “Letter from Partners Capital” of the Document, the Offer is unconditional, acceptances by the Independent Shareholders under the Offer shall be irrevocable and cannot be withdrawn subject to compliance by the Offeror with Rule 19 of Takeovers Code.

In addition, Hai Xia Finance Limited which is interested in 12,200,000 Shares, representing approximately 5.12% of the total issued share capital of the Company, has undertaken to the Offeror not to accept the Offer and not to dispose of its Shares during the period of the Offer. Hai Xia Finance Limited is a wholly owned subsidiary of Iwai’s Investments Limited, which in turn is a wholly owned subsidiary of China Gas Holdings Limited, the issued shares of which are listed on the main board of the Stock Exchange. To the best of knowledge of the Directors, Hai Xia Finance Limited is not acting in concert with the Offeror and its beneficial owner.

As at the Latest Practicable Date, there were 238,389,133 Shares in issue of which 108,280,733 Shares are subject to the Offer. At a cash offer price of HK\$0.50 per Share, the value of all issued Shares subject to the Offer (being all issued Shares other than those Shares already owned by the Offeror and parties acting in concert with it) was approximately HK\$54.1 million.

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## JOINT LETTER FROM ALTUS CAPITAL AND TIS SECURITIES

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The Offer price of HK\$0.50 (the “Offer Price”) is equivalent to the consideration paid by the Offeror for each Sale Share and represents:

- a premium of approximately 16.28% over the closing price of HK\$0.43 per Share as quoted on the Stock Exchange on 3 June 2005, being the last trading day of the Shares on the Stock Exchange prior to the suspension of trading of the Shares on 6 June 2005 (“Last Dealing Day”);
- a premium of approximately 33.69% over the average closing price of the Shares of HK\$0.374 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Dealing Day;
- a premium of approximately 28.53% over the average of the closing prices of the Shares of HK\$0.389 per Share as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Dealing Day;
- a premium of approximately 1.01% over the closing price of HK\$0.495 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- a discount of approximately 10.39% to the audited consolidated net tangible asset value per Share of approximately HK\$0.558 as at 31 December 2004 (based on the audited consolidated net tangible assets of the Company of approximately HK\$133,062,000 and 238,389,133 Shares in issue as at the Latest Practicable Date).



## JOINT LETTER FROM ALTUS CAPITAL AND TIS SECURITIES

### 2. Business of and financial performance of the Group

The Group is principally engaged in the property investment, investment holding and production and sale of organic fertilizers. The Group expanded into the organic fertilizers business in the PRC through its acquisition of 51% interest in Lucky Green Limited in early 2004. Details of the acquisition are set out in the announcements of the Company dated 1 March 2004 and 23 March 2005 and the circular of the Company dated 22 March 2004.

The consolidated turnover and the net profit/(loss) after tax of the Group for the two years ended 31 December 2004 were as follows:

	<b>Year ended 31 December</b>	
	<b>2004</b>	<b>2003</b>
	<i>HK\$'000</i>	<i>HK'000</i>
<b>Turnover</b>	<b>15,207</b>	<b>25,287</b>
Production and sale of fertilizers	6,420	–
Investment holding	552	17,758
Property investment	8,235	7,529
<b>Results</b>	<b>19,795</b>	<b>(106,371)</b>
Production and sale of fertilizers	(2,211)	–
Investment holding	4,399	(66,422)
Property investment	17,607	(39,949)
Profit/(loss) before taxation	11,948	(116,375)
Net profit/(loss) for the year	12,262	(107,791)
Net tangible assets	133,062	101,648
Earning (loss) per Share	HK\$0.06	HK\$(0.73)
Net tangible asset per Share	HK\$0.56	HK\$0.61

According to the annual report of the Company for the financial year ended 31 December 2003 (the “2003 Annual Report”), the Group recorded an audited turnover of approximately HK\$25.29 million, and audited consolidated loss before tax and net loss for the year of approximately HK\$116.38 million and HK\$107.79 million respectively. During that period, turnover from investment in securities amounted to approximately HK\$17.76 million, representing approximately 70% of the Group’s total turnover. Rental income from property investment of 1 Lyndhurst Tower amounted to approximately HK\$7.53 million, representing approximately 30% of the Group’s total turnover. According to the Directors and as indicated in the 2003 Annual Report, loss for the year was mainly attributable to (i) the loss of approximately HK\$46.62 million in relation to loss on disposal of securities to discharge borrowings; and (ii) the loss of approximately HK\$45 million in relation to the revaluation of investment properties. The Group had audited net tangible assets of approximately HK\$101.65 million as at 31 December 2003.

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## JOINT LETTER FROM ALTUS CAPITAL AND TIS SECURITIES

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As stated in the annual report of the Company for the year ended 31 December 2004 (the “2004 Annual Report”) and according to the Directors, for the year ended 31 December 2004, audited turnover of the Group amounted to approximately HK\$15.21 million, representing a decrease of approximately 39.86% as compared with previous year. Profit before taxation and net profit for the year 2004 amounted to approximately HK\$11.95 million and HK\$12.26 million respectively as compared with the loss before taxation and net loss of approximately HK\$116.38 million and HK\$107.79 million respectively in the previous year. We concur with the view of the Directors that such turnaround in profit of the Group was principally attributable to the recovery of the economy and property market in Hong Kong. The Group has audited net tangible assets of approximately HK\$133.06 million as at 31 December 2004.

In February 2004, the Group acquired 51% equity interest in Lucky Green Limited. The sole asset of Lucky Green Limited is 100% interest in Zhuhai S.E.Z. Rui Nong Plant Protection Technology Co., Ltd. which is principally engaged in the production and sale of organic fertilisers. Completion of the acquisition of Lucky Green Limited took place in March 2004. For the year ended 31 December 2004, turnover from production and sale of fertilizers amounted to approximately HK\$6.42 million, representing approximately 42.2% of the Group’s total turnover. Investment in securities decreased from approximately HK\$17.76 million for the year ended 31 December 2003 to approximately HK\$0.55 million for the year ended 31 December 2004. This significant decline was due to the Company’s adoption of a more conservative approach in securities investment in 2004 after incurring losses of approximately HK\$66.42 million in securities investment in 2003 as well as the uncertainty of market condition during the period. The Directors believe that the future results and prospects of this segment will be dependent on the general securities market condition. We are of the view that the decision of the Directors to adopt a more conservative approach in securities investment in 2004 was reasonable.

Rental income from property investment of 1 Lyndhurst Tower amounted to approximately HK\$8.24 million in 2004, representing approximately 54.2% of the Group’s total turnover. The Directors believe that the recovery of the economy and property market in Hong Kong since end 2003 has benefited the Group as its turnover from rental income from investment property has increased from approximately HK\$7.53 million in 2003 to approximately HK\$8.24 million in 2004. Having reviewed the 2003 Annual Report, the 2004 Annual Report and the management accounts of the Group for the five months ended 31 May 2005 and having discussed with the Directors, we noted that there has been an upward trend in rental rates for the Group’s investment property since early 2004. According to the “Hong Kong Property Review – Monthly Supplement” by the Hong Kong Rating and Valuation Department, the average rents of private office in major districts in Hong Kong have experienced positive growth since 2004 and the upward trend continued during first quarter of 2005. The average rental price of the grade, which the Group’s investment property falls into, has increased by approximately 17% from the first quarter of 2004 to the first quarter of 2005. Meanwhile, the gross domestic product in Hong Kong grew by approximately 8.1% in 2004, which is higher than that of the year 2003. Based on the above, we noted that a growing economy has positive effects on the property market and we concur with the Directors’ view that, based on the financial performance of the Group in the past two years and barring any unforeseeable material adverse change in market conditions, the continued economic recovery in Hong Kong is expected to be beneficial to the Group in the near future. A recovery in the property market would likely result in higher rental rates and improved occupancy for the investment property of the Group, thus providing recurring income to the Group.

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The investment in production and sale of organic fertilizers, which turnover amounted to approximately HK\$6.42 million representing approximately 42.2% of the Group's turnover in 2004, had incurred an operating loss of approximately HK\$2.2 million for the year ended 31 December 2004. Having reviewed the 2003 Annual Report, the 2004 Annual Report and the management accounts of the Group for the five months ended 31 May 2005 and having discussed with the Directors, we noted that the contribution of the fertilizer business is similar during the first five months of 2005 compared with the same period of the previous year. According to the China Market Yearbook 2005, the number of firms engaging in the organic microbe fertilizer business in the PRC had increased from 54 in the year 2002 to 79 in the year 2003, representing an increase of approximately 46%. Total revenue was approximately RMB1,184 million and RMB1,902 million for the years 2002 and 2003 respectively, representing an increase of approximately 61%, and the total profits were approximately RMB8 million and RMB115 million respectively. According to the Directors, as more firms entered into the industry, the competition in the sector has increased. Notwithstanding that the total profit in the sector had recorded substantial growth, it was principally dominated by big players in the market where profits attributable to the top 10 enterprises accounted for approximately RMB64 million, representing approximately 56% of the total profit. From the information above, the average profit for each of the remaining 69 firms (other than the top 10 enterprises) in 2003 was approximately RMB0.7 million. Based on the above, we concur with the Directors' view that, given the operating environment of the fertilizer business of the Group remains difficult while barring any unforeseeable material unfavourable change such as increase in the price of raw material and shortage of supply of raw material, it is expected that the contribution from sale of organic fertilizers would remain at similar level of 2004.

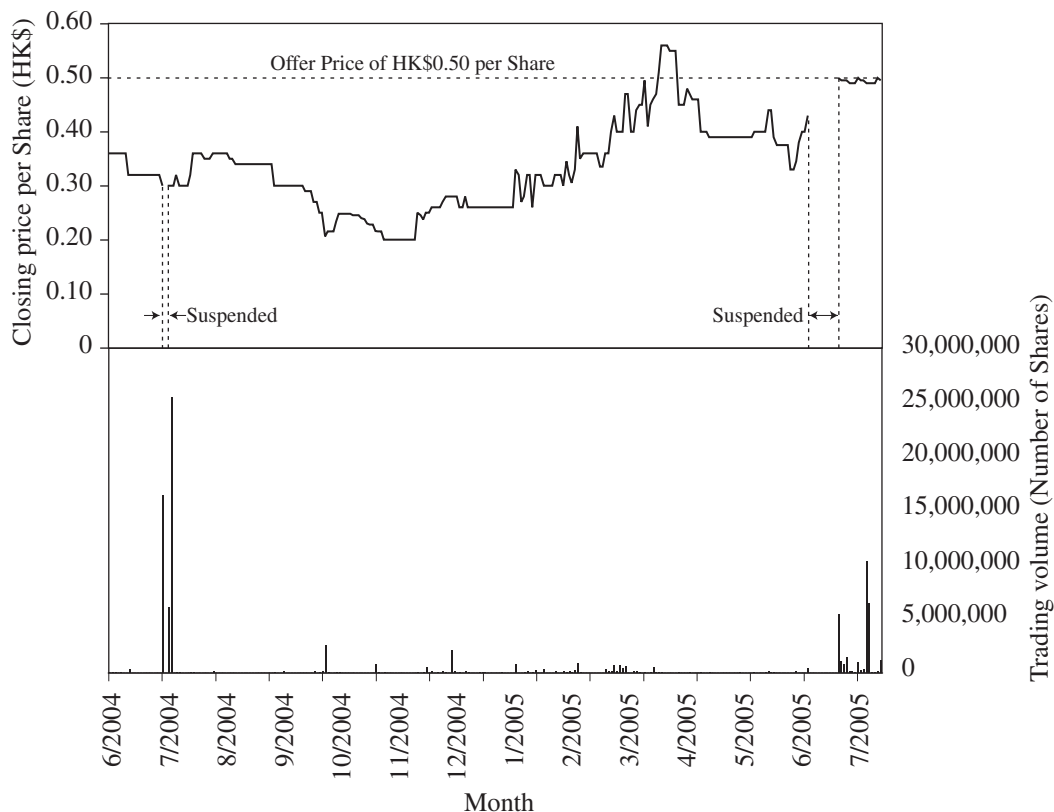
The Offeror also noted from the 2004 Annual Report that the fertilizer business, which was acquired by the Group in 2004 at a consideration of HK\$5 million, had already incurred an operating loss of approximately HK\$2.2 million for the year ended 31 December 2004. In view of the unsatisfactory financial performance of the fertilizer company and the fact that the fertilizer business is not the core business of the Group, the Offeror will review the business operation of the fertilizer company and consider whether the Group should continue the operation of the fertilizer business.

Our analysis on the property market in Hong Kong and the fertilizer industry in the PRC are based on published information available to us and are aimed at providing additional information to the Independent Shareholders with an overview of the respective markets.

**3. Historical Share price performance and trading liquidity**

*Share price performance*

The graph below illustrates the daily historical closing prices and trading volume of the Shares traded on the Stock Exchange from 1 June 2004 to the Latest Practicable Date (both dates inclusive, the “Review Period”).



## JOINT LETTER FROM ALTUS CAPITAL AND TIS SECURITIES

The highest, lowest, month-end and average daily closing prices of the Shares for each of the months during the Review Period were as follows:

Month/period	Highest closing price <i>HK\$</i>	Lowest closing price <i>HK\$</i>	Month/period end closing price <i>HK\$</i>	Average daily closing price <i>HK\$</i>
<b>2004</b>				
June ( <i>Note a</i> )	0.360	0.300	0.300	0.333
July	0.360	0.300	0.360	0.335
August	0.360	0.300	0.300	0.333
September	0.300	0.206	0.248	0.264
October	0.248	0.200	0.200	0.223
November	0.280	0.200	0.260	0.246
December	0.330	0.260	0.270	0.267
<b>2005</b>				
January	0.410	0.260	0.350	0.317
February	0.470	0.335	0.470	0.384
March	0.560	0.400	0.480	0.481
April	0.470	0.390	0.390	0.406
May	0.440	0.330	0.380	0.385
June ( <i>Note b</i> )	0.500	0.400	0.495	0.473
July (1 July to the Latest Practicable Date)	0.500	0.490	0.495	0.493

*Note:* a. Trading of the Shares was suspended on 30 June 2004.

b. Trading of the Shares was suspended from 6 June 2005 to 17 June 2005 pending the release of the Joint Announcement.

From June 2004 to the Last Dealing Day, the closing prices of the Shares fluctuated within a range between HK\$0.20 to HK\$0.56 and, save for March 2005, the closing prices of the Shares were closed at all time below the Offer Price. The Offer Price of HK\$0.50 represents a premium of approximately 150% over the lowest closing price of HK\$0.20 and a discount of approximately 10.71% to the highest closing price of HK\$0.56 prior to the Last Dealing Day. The average closing price of the Shares for the period from 1 June 2004 to the Last Dealing Day was approximately HK\$0.331, and the Offer Price represents a premium of approximately 51.05% over the above average price. Following the publication of the Joint Announcement and resumption of trading of the Shares on 20 June 2005 and up to and including the Latest Practicable Date, the closing price of the Shares was within a range of HK\$0.49 to HK\$0.50 per Share, which was close to and equal to the Offer Price of HK\$0.50 per Share. According to the Directors, save as disclosed in the Joint Announcement, they are not aware of any reasons for such increase in the trading price of the Shares. We concur with the view of the Directors and believe that there is no apparent reason for the increase in trading price.

## JOINT LETTER FROM ALTUS CAPITAL AND TIS SECURITIES

### *Liquidity of the Shares*

The following table sets out the total number and average daily number of Shares traded per month and the respective percentages of monthly trading volume compared to the issued share capital and the Shares held by the public during the Review Period:

Month/period	trading trading volume (Shares)	Average daily trading volume (Shares)	Percentage of average daily trading volume for the month to total number of issued Shares as at the Last Dealing Day (Note a) %	Percentage of average daily trading volume for the month to total number of Shares held by the public as at the Last Dealing Day (Note b) %
<b>2004</b>				
June (Note c)	16,825,480	841,274	0.352	0.777
July	31,677,960	1,508,474	0.633	1.393
August	149,000	6,773	0.003	0.006
September	2,975,194	141,676	0.059	0.131
October	820,520	43,185	0.018	0.040
November	3,156,100	143,459	0.060	0.132
December	1,177,260	53,512	0.022	0.049
<b>2005</b>				
January	2,297,120	109,387	0.046	0.101
February	3,046,322	179,195	0.075	0.165
March	1,067,940	50,854	0.021	0.047
April	109,080	5,454	0.002	0.005
May	395,700	19,785	0.008	0.018
June (Note d)	10,539,380	878,282	0.368	0.811
July (1 July to the Latest Practicable Date)	18,368,640	2,624,091	1.101	2.423

*Notes:*

- a. Based on 238,389,133 Shares in issue as at the Last Dealing Day.
- b. Based on 108,280,733 Shares held in public hands as at the Last Dealing Day as stated in the Joint Announcement.
- c. Trading of the Shares was suspended on 30 June 2004.
- d. Trading of the Shares was suspended from 6 June 2005 to 17 June 2005 pending the release of the Joint Announcement.

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As indicated in the above table, before the Last Dealing Day, the trading volume of the Shares was thin with the highest average daily trading volume of 1,508,474 Shares, equivalent to approximately 0.633% of the total number of Shares in issue as at the Last Dealing Day and approximately 1.393% of the Shares held by the public as at the Last Dealing Day. Independent Shareholders should note that during the Review Period prior to the Last Dealing Day, the average daily turnover of the Shares was constantly below 1.4% of the Shares held by public and no trading of the Shares was recorded in 131 days out of a total of 266 trading days during the Review Period.

After the trading of the Shares was resumed on 20 June 2005, the trading volume of the Shares on that single day rose to 5,367,200 Shares, which represented an increase of more than 151 times from the average daily turnover of 35,700 Shares for the period from 3 May 2005 up to the Last Dealing Day. Following the date of the Joint Announcement and up to the Latest Practicable Date, the Company recorded a daily turnover as high as 10,288,400 Shares on 5 July 2005, representing approximately 9.5% of the Shares held by public. Accordingly to the Directors, save as disclosed in the Joint Announcement, they are not aware of any reasons for such fluctuation in the trading volume of the Shares. We concur with the Directors' view and believe that there is no apparent reason for the fluctuation.

#### **4. Price/earnings multiple and net asset value**

We consider that the reference to price/earnings multiple ("PEM") is one of the most commonly and appropriately used methods for valuing a company including companies such as the Company which generates turnover from property rental income and production and sale of fertilizers. As the Company's audited consolidated net profit for the year ended 31 December 2004 was approximately HK\$12.26 million, the Company's audited earnings per Share, based on 238,389,133 Shares in issue as at 31 December 2004 was approximately HK\$0.05 per Share. The PEM of the Company, based on the Offer Price of HK\$0.50 per Sale Share, is approximately 10 times. In assessing the fairness and reasonableness of such PEM, we attempted to review companies listed on the main board of the Stock Exchange which are primarily engaged in the property investment and production and sales of fertilizers and with market capitalisation not more than HK\$200 million. When calculating the PEM, we have used the published profits of these companies for their latest financial year prior to the Last Dealing Day, i.e. 3 June 2005. Based on the information from the website of the Stock Exchange, there is no listed company which is engaged in both property investment and production and sale of organic fertilizers. We have therefore identified eight main board listed companies that are principally engaged in either property investment or production and sale of fertilizers and with market capitalization not more than HK\$200 million. We have divided the aforesaid eight companies into two groups, being (a) properties-related companies (the "Properties Companies") and (b) the fertilizers-related companies (the "Fertilizers Companies").

We set out below a table comparing the Group with the Properties Companies and the Fertilizers Company in the areas of (i) closing price of shares/Offer Price; (ii) market capitalization; (iii) profit/(loss) as reported in the latest published annual report; (iv) PEM; (v) net asset value per share; and (vi)

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the premium/discount of the closing price of shares to net asset value per share. The purpose of showing the aforesaid is to provide additional information to the Shareholders on the performance of the companies that is engaged in either property investment or production and sale of fertilizers.

Company (stock code)	Type of business	Year end date	Closing price of shares as at the Last Dealing Day/ Offer Price (HK\$)	Approximate market capitalization as at the Last Dealing Day (HK\$ million)	Latest audited profit /(loss) (HK\$'000)	PEM as at the Latest Dealing Day (Times)	Latest audited net asset value per share (HK\$)	Premium/ (discount) to the closing price of shares as at the Last Dealing Day/Offer Price to latest audited net asset value per share (%)
<i>Properties Companies</i>								
Wah Ha Realty Company Limited (278)	Sale of properties, rental, construction, property management and investment	31 March	1.44	174	28,414	6.13	4.19	(65.63)
Cosmopolitan International Holdings Limited (120)	Securities trading in equity securities listed on global stock markets, and property investment in residential units and office space for rental income	31 March	0.235	125	52,662	1.97	0.19	23.68
Great China Holdings Limited (141)	General trading, property investment and provision of real estate agency services	31 December	0.465	122	34,002	3.57	1.87	(75.13)
China Velocity Group Limited (149)	Property sales and development, property rental	31 December	0.63	175	(235,515)	-	0.35	80.00



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Company (stock code)	Type of business	Year end date	Closing price of shares as at the Last Dealing Day/ Offer Price (HK\$)	Approximate market capitalization as at the Last Dealing Day (HK\$ million)	Latest audited profit /(loss) (HK\$'000)	PEM as at the Latest Dealing Day (Times)	Net asset value per share (HK\$)	Premium/ (discount) to the closing price of shares as at the Last Dealing Day/Offer Price to net asset value per share (%)
Hong Kong Parkview Group Limited (207)	Decoration contractor and trading of building supplies, property investment, provision of management and consultancy services and investment and financing	31 March	0.37	198	(21,015)	–	0.30	23.33
Winfair Investment Company Limited (287)	Property and share investment	31 March	3.1	185	18,351	6.69	4.85	(36.08)
Minimum						1.97		(75.13)
Maximum						6.69		80.00
Mean						4.59		–
Median						4.85		–
The Company (note)			0.5	119	12,262	7.76	0.558	(10.39)
<b><i>Fertilizers Companies</i></b>								
K.P.I. Company Limited (605)	Trading in chemical fertilizers, agricultural products, property investment and investment holdings	31 December	0.151	153	11,842	11.10	0.19	(20.53)

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Company (stock code)	Type of business	Year end date	Closing price of shares as at the Last Dealing Day/ Offer Price (HK\$)	Approximate market capitalization as at the Last Dealing Day (HK\$ million)	Latest audited profit /(loss) (HK\$'000)	PEM as at the Latest Dealing Day (Times)	Net asset value per share (HK\$)	Premium/ (discount) to the closing price of shares as at the Last Dealing Day/Offer Price to net asset value per share (%)
China Agrotech Holdings Limited (1073)	Production and sale of plant growth regulatory products, chemical pesticides and bio-pesticides, trading of pesticides, fertilizers and other agricultural resources products in the PRC	30 June	0.47	198	14,882	12.21	0.75	(37.33)
Minimum						11.10		(37.33)
Maximum						12.21		(20.53)
Mean						11.66		(28.93)
Median						11.66		(28.93)
The Company (note)			0.5	119	12,262	7.76	0.558	(10.39)

*Note:* Market capitalization and the PEM of the Company are based on the Offer Price of HK\$0.50 and 238,389,133 Shares in issue as at the Last Dealing Day

We wish to note that, for the PEM analysis, the Company may not be directly comparable to the Properties Companies and the Fertilizers Companies as the business of the Company comprises both fertilizer business and property investment. In addition, while the Group's property investment business segment was profitable, the fertilizer business segment was loss-making. The purpose of the table above is therefore to provide additional information to the Shareholders on the performance of companies that are engaged in either property investment or production and sale of fertilizers.

As shown in the table above, the minimum and maximum of the PEM of the Properties Companies are approximately 1.97 times and 6.69 times respectively and the mean is 4.59 times. As such, the PEM of the Company of 7.76 times is higher than the mean and the maximum-minimum PEM range of that of the Properties Companies. We however noted that the PEM of the Company might be lower if we excluded the fertilizer business of the Group in our analysis, which was loss-making.

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## JOINT LETTER FROM ALTUS CAPITAL AND TIS SECURITIES

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In respect of the Fertilizers Companies, the minimum and maximum of the PEM are approximately 11.10 times and 12.21 times respectively and the mean is 11.66 times. As such, the PEM of the Company of 7.76 times is lower than the mean and the maximum-minimum PEM range of that of the Fertilizers Companies. We however noted that the fertilizer business of the Group was loss-making and thus direct comparison of PEM with the Fertilizers Companies will not be appropriate.

Based on the audited consolidated balance sheet of the Company as at 31 December, 2004, the net assets of the Company amounted to approximately HK\$133 million, equivalent to approximately HK\$0.558 per Share, based on 238,389,133 Shares in issue as at 31 December, 2004. As compared to the Company's audited net asset value of approximately HK\$0.558 per Share, the Offer Price of HK\$0.50 per Share represents approximately 10.39% discount to the Company's audited net asset value per Share, which is within the range of that of the Properties Companies (i.e. from premium of approximately 80% to a discount of approximately 75.13%) and is at a lesser discount than the Fertilizers Companies (i.e. at a discount of approximately 20.53% up to approximately 37.33%).

We do not consider that Properties Companies and Fertilizer Companies to be direct comparables to the Company, since the business nature of the aforesaid companies is not the same as the Company and the fertilizers business segment of the Company was loss-making while the Fertilizers Companies were profit making. The purpose of showing the aforesaid is to provide additional information to the Shareholders on the performance of the companies that is engaged in either property investment or production and sale of fertilizers.

### **5. Intention of the Offeror**

In accordance with the "Letter from the Board" and the "Letter from Partners Capital" in the Document, following Completion and the close of the Offer, the Offeror:

- (i) intends to continue the Company's existing property investment businesses, and the Company will remain listed on the Stock Exchange. A review of the fertilizer business will be conducted as discussed in the section headed "Business of and financial performance of the Group" above;
- (ii) will conduct a review on the current business operation and financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group;
- (iii) subject to the result of the review and should suitable investment or business opportunities arise, may consider to further develop the businesses of the Group including, but not limited to, property investments in Hong Kong and the PRC and, subject to market condition, to realize certain property investments and diversify the business scope of the Group with an objective to broaden its income source;
- (iv) has no intention to inject the property interests as disclosed in the personal profile of Ms. Ma as set out in the "Letter from Partners Capital" of the Document;

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## JOINT LETTER FROM ALTUS CAPITAL AND TIS SECURITIES

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- (v) save for the fertilizer business, has no intention to redeploy the employees or the fixed assets of the Group other than in its ordinary course of business; and
- (vi) will appoint Ms. Ma and Mr. Chan Sze Hon as the executive Directors and Mr. Ching Men Ky Carl, Mr. Lin Ruei-min and Mr. Shu Wa Tung, Laurence as independent non-executive Directors in compliance with the Takeovers Code and Listing Rules.

According to the “Letter from Partners Capital” in the Document, we understand that Ms. Ma has a Bachelor Degree in Economics and has over six years of experience in property development and investments in the PRC and Hong Kong, including investments in luxurious residential buildings, office buildings and shopping malls. Besides her experience in property investments, she has been the Vice Chairman of 深圳市亨瑞投資發展有限公司 (Shenzhen Hengrui Investment & Development Co. Ltd.), a company incorporated in the PRC since 2002, and has been responsible for the strategic planning and development, construction, management and operations of 大世界商城 (Great World Mall), a seven-storey large shopping mall with two levels of underground car parking lots with a gross floor area of around 67,000 square metres, in Louhu District, Shenzhen, the PRC. Further information on Ms. Ma is set out under the “Letter from Partners Capital” of the Document. In view of Ms. Ma’s experience in property investments and management, we concur with the view of the Directors that Ms. Ma, with her wide business network and business experience in the property markets in both Hong Kong and the PRC, can assist and contribute to the Group in the areas of business development and overall strategic planning in these markets.

Mr. Chan Sze Hon has experience in accounting affairs. Mr. Chan Sze Hon is a Certified Public Accountant (Practising) of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants. Mr. Chan will be responsible for the supervision of the operation of the Group, focusing on accounting and financial control of the Group. Mr. Chan has worked with Deloitte Touche Tohmatsu for more than eight years from 1995 to 2004 and was the Chief Financial Officer of a health food and beverage group of companies in Hong Kong. Further information on Mr. Chan is set out under the “Letter from Partners Capital” of the Document. We concur with the view of the Directors that Mr. Chan Sze Hon can assist the Group in supervising the operations of the Group especially in the areas of accounting and financial control.

### RECOMMENDATION

Having considered the principal factors discussed above, in summary:

1. the financial performance of the Company for the two years ended 31 December 2004;
2. the low liquidity of the Shares during the Review Period prior to the Last Dealing Day and the relatively fluctuated trading volume of the Shares after the Last Dealing Day and up to the Latest Practicable Date, which details are shown in the table under the section headed “Historical Share price performance and trading liquidity” in this letter. As there is no assurance that the price of the Shares will remain at the current level if the Offer closes, it may be difficult for the Independent Shareholders to dispose of their Shares in the market after the close of the Offer;

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## JOINT LETTER FROM ALTUS CAPITAL AND TIS SECURITIES

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3. the PEM of the Company, represented by the Offer Price, is approximately 7.76 times, which is higher than the mean and the maximum-minimum PEM range of that of the Properties Companies;
4. the Offer Price of HK\$0.50 represent approximately 10.39% discount to the Company's latest audited net asset value per Share, which is within the range of that of the Properties Companies (i.e. from approximately premium of approximately 80% to discount of approximately 75.13%) and is at a lesser discount than the Fertilizers Companies (i.e. from approximately discount of 20.53% to approximately discount of 37.33%); and
5. the Offer Price represents a premium of approximately 16.28% over the price of the Share as at the Last Dealing Day.

We are of the view that the Offer, including the Offer Price, is fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to accept the Offer. However, we would also like to advise the Independent Board Committee to recommend the Independent Shareholders to closely monitor the market price and the liquidity of the Shares in the market during the period of the Offer and consider selling their Shares in the market during the period of the Offer, rather than accepting the Offer, if the net proceeds of the sales could exceed the amount receivable under the Offer.

For those Independent Shareholders who wish to retain part or all of their investments in the Shares, they should carefully consider the future intentions of the Offeror regarding the Group, details of which are set out in the "Letter from Partners Capital" contained in the Document.

Independent Shareholders should read carefully the procedures for accepting the Offer as detailed in Appendix I and the accompanying Form of Acceptance to the Document and are strongly advised that the decision to realize or hold their investment in the Shares is subject to individual circumstances and investment objectives.

**The Stock Exchange has stated that, if at the close of the Offer, less than 25% of the Shares are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the Shares.**

Yours faithfully,  
For and on behalf of

**Altus Capital Limited**

**Arnold Ip**

*Executive Director*

**Sean Pey, Chang**

*Executive Director*

**TIS Securites (HK) Limited**

**Raymond Tang**

*Director*

**1. PROCEDURES FOR ACCEPTANCE**

- (a) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name(s), and you wish to accept the Offer, you must send the accompanying Form of Acceptance duly completed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar.
- (b) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or some name other than your own, and you wish to accept the Offer in respect of your Shares, you must either:
- (i) lodge your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Offer on your behalf and requesting it to deliver the accompanying Form of Acceptance duly completed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
  - (ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and send the accompanying Form of Acceptance duly completed together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
  - (iii) if your Shares have been lodged with your licensed securities dealer/custodian bank through CCASS, instruct your licensed securities dealer/custodian bank to authorise HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set out by HKSCC Nominees Limited, in this case, on 4 August 2005, which is one Business Day before the latest date on which acceptance of the Offer must be received by the Registrar. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/custodian bank as required by them; or
  - (iv) if your Shares have been lodged with your Investor Participant Account with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System not later than one Business Day before the latest date on which acceptance of the Offer must be received by the Registrars, which is 4 August 2005.

- (c) If the Share certificate(s) and/or transfer receipt(s) and/or, any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) is/are not readily available and/or is/are lost and you wish to accept the Offer in respect of your Shares, the accompanying Form of Acceptance should nevertheless be completed and delivered to the Registrar and the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) should be forwarded to the Registrar as soon as possible thereafter. If you have lost your share certificate(s), you should also write to the Registrar for a form of letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.
- (d) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your Share certificate(s), and you wish to accept the Offer in respect of your Shares, you should nevertheless complete the accompanying Form of Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable authority to the Offeror and/or Partners Capital and/or their respective agent(s) to collect from the Company or the Registrar, on your behalf, the relevant share certificate(s) when issued and to deliver such certificate(s) to the Registrar and to authorise and instruct the Registrar to hold such certificates, subject to the terms of the Offer, as if it was/they were delivered to the Registrar with the accompanying Form of Acceptance.
- (e) Acceptances of the Offer will be treated as valid only if:
- (i) the completed accompanying Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any indemnity or indemnities required in respect thereof) in all respects satisfactory to the Offeror and its agent(s) in respect thereof which shall be put in an envelope marked “**Greater China Offer**” has/have been received by the Registrar at or before 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code and the Registrar has recorded that the acceptance and any relevant documents required have been so received; and
  - (ii) the accompanying Form of Acceptance is duly completed and is:
    - accompanied by Share certificate(s) in respect of your Shares and, if those certificates are not in your name, such other documents (e.g. a duly stamped transfer of the relevant Shares in blank or in your favour executed by the registered holder) in order to establish your right to become the registered holder of the relevant Shares; or
    - from a registered holder or his personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under another subparagraph of this paragraph (ii)); or
    - certified by the Registrar or the Stock Exchange.

If the accompanying Form of Acceptance is executed by a person other than the registered holder, appropriate evidence of authority (e.g. grant of probate or certified copy of a power of attorney) must be produced.

- (f) No acknowledgement of receipt of any accompanying Form of Acceptance, Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any indemnity or indemnities required in respect thereof) will be given.

## **2. ACCEPTANCE PERIOD AND REVISIONS**

- (a) The Offeror reserves the right, subject to the Takeovers Code, to revise or extend the Offer after the despatch of this Composite Offer Document, either in respect of the terms and conditions or the value or nature of the consideration offered or otherwise.
- (b) Unless the Offer have previously been revised or extended, the Offer will close at 4:00 p.m. on 5 August 2005. All Forms of Acceptance must be received by the Registrar by 4:00 p.m. on 5 August 2005 (or such later time and/or date as the Offeror may determine and announce).
- (c) If the Offer is revised or extended, the announcement of such revision or extension will state the next closing date.
- (d) If the Offer is revised, it will remain open for acceptance for a period of not less than 14 days from the posting of the written notification of the revision to Shareholders and unless previously extended or revised shall be closed on the subsequent closing date. If, in the course of the Offer, the Offeror revises the terms of the Offer, all the Independent Shareholders (whether or not they have already accepted the Offer) will be entitled to the revised terms. The execution by or on behalf of any Independent Shareholder who has previously accepted the relevant Offer by properly completing, duly executing and delivering a Form of Acceptance, shall be deemed to constitute acceptance of the revised relevant Offer unless such Shareholder is granted a right of withdrawal, on terms acceptable to the Executive, under the circumstances set out in Rule 19.2 of the Takeovers Code until the requirements under Rule 19 of the Takeovers Code can be met.
- (e) If the closing date of the Offer is extended, any reference in this Composite Offer Document and in the Form of Acceptance to the closing date shall, except where the context otherwise requires, be deemed to refer to the closing date of the Offer as extended.

## **3. ANNOUNCEMENTS**

- (a) By 6:00 p.m. on the Closing Date (or such later time and/or date as the Executive may, in exceptional circumstances, permit), the Offeror must inform the Executive and the Stock Exchange of its intentions in relation to the revision, extension, expiry of the Offer. The Offeror shall publish an announcement through the website of Hong Kong Exchanges and Clearing Limited by 7:00 p.m. on the Closing Date, being 5 August 2005, stating whether the Offer has been revised, extended or expired. Such announcement must be republished in accordance with the requirements set out in paragraph (b) below on the next Business Day.



The announcement shall state the following:

- (i) the total number of all issued Shares other than the Sale Shares and any other Shares owned by the Offeror or parties acting in concert with it for which acceptances of the Offer have been received;
- (ii) the total number of Shares held, controlled or directed by the Offeror or parties acting in concert with it before the Offer period; and
- (iii) the total number of Shares acquired or agreed to be acquired during the Offer period by the Offeror or parties acting in concert with it.

The announcement shall include the details of voting rights, rights over Shares, derivatives and arrangements as required by Rules 3.5(c), (d) and (f) of the Takeovers Code.

The announcement must also specify the percentages of the relevant classes of share capital of the Company and the percentages of voting rights of the Company represented by these numbers of Shares.

- (b) All announcements in relation to the Offer, in respect of which the Executive and (if applicable) the Stock Exchange have confirmed that they have no further comments thereon, will be published as a paid announcement in at least one leading English language newspaper and one leading Chinese language newspaper, being in each case a newspaper which is published daily and circulating generally in Hong Kong.

#### **4. RIGHT OF WITHDRAWAL**

Acceptances of the Offer tendered by the Independent Shareholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in Rule 19.2 of the Takeovers Code (which is to the effect that if the Offeror is unable to comply with any of the requirements for making announcements under Rule 19 of the Takeovers Code relating to the Offer), the Executive may require that Shareholders who tendered acceptances of the Offer be granted a right of withdrawal, on terms acceptable to the Executive until such requirements can be met. A further announcement will be made by the Offeror if any such right of withdrawal (as described in this paragraph) is available to the Independent Shareholders.

**5. GENERAL**

- (a) All communications, notices, Form of Acceptance, certificates for Shares, transfer receipts and other documents of title (and/or any indemnity or indemnities required in respect thereof) and remittances to be delivered by or sent to or from the Independent Shareholders will be delivered by or sent to or from them, or their designated agents, through ordinary post at their own risk, and none of the Company, the Offeror, Partners Capital, the Registrar or any of their respective directors and agents accepts any liability for any loss in postage or any other liabilities whatsoever which may arise as a result.
- (b) The provisions set out in the accompanying Form of Acceptance form part of the terms of the Offer.
- (c) The accidental omission to despatch this Composite Offer Document and/or Form of Acceptance or any of them to any person to whom the Offer is made will not invalidate the Offer in any way.
- (d) The Offer is, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong.
- (e) Due execution of the accompanying Form of Acceptance will constitute an authority to the Offeror or such person or persons as the Offeror may direct to complete and execute the Form of Acceptance and any document on behalf of the person accepting the Offer and, in relation to the Offer, to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror and/or such person or persons as it may direct the Shares in respect of which such person has accepted the Offer.
- (f) Acceptance of the Offer by any person or persons will be deemed to constitute a warranty by such person or persons to the Offeror that the Shares acquired under the Offer are sold by any such person or persons free from all third-party rights, liens, claims, options, charges, equities, adverse interests or encumbrances and together with all rights accruing or attaching thereto including, without limitation, in the case of the Shares, the right to receive dividends and distributions declared, paid or made, if any, on or after the date of the Joint Announcement.
- (g) Seller's ad valorem stamp duty arising in connection with acceptance of the Offer at a rate of HK\$1.00 for every HK\$1,000 (or part thereof) of the greater of (i) the consideration payable in respect of the relevant acceptance by the Independent Shareholders; and (ii) the market value of the Shares will be deducted from the consideration payable to such Independent Shareholders who accept the Offer and will be settled by the Offeror on behalf of such accepting Independent Shareholders. The Offeror will arrange for payment of the stamp duty in connection with the acceptance of the Offer and the transfer of the Shares.
- (h) References to the Offer in this Composite Offer Document and in the accompanying Form of Acceptance shall include any revision and/or extension of the Offer.

- (i) The making of the Offer to persons with a registered address in jurisdictions outside Hong Kong may be affected by the laws of the relevant jurisdictions in which they are residents. Overseas Shareholders who are citizens or residents or nationals of jurisdictions outside Hong Kong should inform themselves about and observe any applicable legal or regulatory requirements and where necessary seek legal advice. It is the responsibility of any such Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdiction.
- (j) Acceptances of the Offer by any such person will constitute a warranty by such person that such person is permitted under all applicable laws to receive and accept the Offer, and any revision thereof, and such acceptance shall be valid and binding in accordance with all applicable laws.
- (k) The settlement of the consideration to which any Independent Shareholder is entitled under the Offer will be implemented in full in accordance with the terms of the Offer without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Independent Shareholder.
- (l) Payment in cash in respect of acceptances of the Offer will be made within 10 days from the date on which the relevant documents of title are received by the Offeror to render each such acceptance complete and valid.
- (m) The English text of this Composite Offer Document and the Form of Acceptance shall prevail over the Chinese text for the purpose of interpretation.

## 1. FINANCIAL SUMMARY

The following is a summary of the financial results of the Group for each of the three years ended 31 December 2004, as extracted from the respective annual reports of the Company:

	Year ended 31 December		
	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000
Turnover	<u>15,207</u>	<u>25,287</u>	<u>43,126</u>
Profit (loss) before taxation	11,948	(116,375)	(74,653)
Income tax	<u>(334)</u>	<u>8,584</u>	<u>(8,696)</u>
Profit (loss) before minority interests	11,614	(107,791)	(83,349)
Minority interests	<u>648</u>	<u>—</u>	<u>—</u>
Profit (loss) for the year	<u>12,262</u>	<u>(107,791)</u>	<u>(83,349)</u>
Dividends	<u>—</u>	<u>—</u>	<u>—</u>
Earnings (loss) per share (HK\$)			
Basic (note 1)	<u>0.06</u>	<u>(0.73)</u>	<u>(0.76)</u>
Diluted (note 1)	<u>N/A</u>	<u>(0.73)</u>	<u>(0.76)</u>
Dividends per share			
Interim	<u>—</u>	<u>—</u>	<u>—</u>
Final	<u>—</u>	<u>—</u>	<u>—</u>

*Notes:*

- The calculation of the earnings/(loss) per share was based on the audited consolidated profit/(loss) for the year and on the weighted average number of 221,341,000 shares, 146,686,000 shares and 110,254,000 shares in issue during the year 2004, year 2003 and year 2002 respectively. No diluted earnings per share was presented as there were no dilutive potential ordinary shares in existence during the year 2004. The computation of diluted loss per share for the year 2003 and year 2002 did not assume the exercise of outstanding warrants in year 2003 and outstanding share options in year 2002 since their exercises would decrease the loss per share.
- For the three years ended 31 December 2004, the Group did not have any extraordinary/exceptional items and dividend, except realised loss on surrender of other investments to discharge borrowing of HK\$46,620,000 in year 2003, allowance for doubtful loans receivable of HK\$30,000,000 and allowance for amount receivable in respect of disposal of an investee company of HK\$25,000,000 in year 2002.

**2. AUDITED FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2004**

The following is the full text of the reproduced report of Deloitte Touche Tohmatsu, the auditors of the Company, for the year ended 31 December 2004 extracted from the annual report of the Company for the year ended 31 December 2004.

# Deloitte.

# 德勤

**TO THE MEMBERS OF GREATER CHINA HOLDINGS LIMITED**

大中華實業控股有限公司

*(Incorporated in Bermuda with limited liability)*

We have audited the financial statements on pages 17 to 58 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

**Respective responsibilities of directors and auditors**

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

**Basis of opinion**

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2004 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong, 20 April 2005

Set out below are the audited financial statements of the Group together with accompanying notes, as extracted from the annual report of the Company for the year ended 31 December 2004.

### CONSOLIDATED INCOME STATEMENT

*For the year ended 31 December 2004*

	<i>Notes</i>	<b>2004</b> <i>HK\$'000</i>	<b>2003</b> <i>HK\$'000</i>
Turnover	4	15,207	25,287
Rental outgoings		(1,356)	(1,944)
Cost of sales		(7,195)	(31,427)
Gross profit (loss)		6,656	(8,084)
Other operating income		71	89
Revaluation increase (decrease) on investment properties		11,000	(45,000)
Unrealised holding gain (loss) of other investments		4,709	(5,620)
Selling and distribution costs		(49)	–
Administrative expenses		(5,822)	(7,530)
Amortisation of goodwill on acquisition of subsidiaries		(820)	–
Impairment loss on leasehold land and buildings		(813)	–
Reversal of accrued charges in respect of financial restructuring of the Group in prior years		–	5,102
Realised loss on surrender of other investments to discharge borrowings	5	–	(46,620)
Profit (loss) from operations	6	14,932	(107,663)
Finance costs	7	(2,984)	(8,712)
Profit (loss) before taxation		11,948	(116,375)
Income tax	10	(334)	8,584
Profit (loss) before minority interests		11,614	(107,791)
Minority interests		648	–
Net profit (loss) for the year		<u>12,262</u>	<u>(107,791)</u>
		<i>HK\$</i>	<i>HK\$</i>
Earnings (loss) per share	11		
– Basic		<u>0.06</u>	<u>(0.73)</u>
– Diluted		<u>N/A</u>	<u>(0.73)</u>

## CONSOLIDATED BALANCE SHEET

At 31 December 2004

	<i>Notes</i>	<b>2004</b> <i>HK\$'000</i>	<b>2003</b> <i>HK\$'000</i>
<b>Non-Current Assets</b>			
Property, plant and equipment	<i>12</i>	8,306	34
Investment properties	<i>13</i>	266,000	255,000
Goodwill	<i>14</i>	–	–
Investments in securities	<i>16</i>	3,000	–
		<u>277,306</u>	<u>255,034</u>
<b>Current Assets</b>			
Inventories	<i>17</i>	227	–
Investments in securities	<i>16</i>	19,214	14,695
Trade and other receivables	<i>18</i>	1,342	320
Prepayments and deposits		1,389	1,014
Bank balances and cash		4,080	875
		<u>26,252</u>	<u>16,904</u>
<b>Current Liabilities</b>			
Trade and other payables	<i>19</i>	9,986	8,445
Consideration payable for acquisition of subsidiaries	<i>20</i>	4,000	–
Amounts due to directors		3,268	1,868
Amount due to a minority shareholder	<i>31</i>	3,583	–
Rental deposits		3,241	2,837
Taxation		14,687	14,687
Bank and other borrowings	<i>21</i>	130,443	11,953
		<u>169,208</u>	<u>39,790</u>
<b>Net Current Liabilities</b>		<u>(142,956)</u>	<u>(22,886)</u>
		<u>134,350</u>	<u>232,148</u>
<b>Capital and Reserves</b>			
Share capital	<i>22</i>	1,192	828
Reserves	<i>24</i>	131,870	100,820
		<u>133,062</u>	<u>101,648</u>
<b>Minority interests</b>		<u>184</u>	<u>–</u>
<b>Non-current Liabilities</b>			
Bank and other borrowings	<i>21</i>	–	130,500
Deferred tax liability	<i>25</i>	1,104	–
		<u>1,104</u>	<u>130,500</u>
		<u>134,350</u>	<u>232,148</u>

## COMPANY BALANCE SHEET

At 31 December 2004

	<i>Notes</i>	<b>2004</b> <i>HK\$'000</i>	<b>2003</b> <i>HK\$'000</i>
<b>Non-Current Asset</b>			
Interests in subsidiaries	<i>15</i>	<u>153,406</u>	<u>119,580</u>
<b>Current Assets</b>			
Prepayments and deposits		155	153
Bank balances and cash		<u>47</u>	<u>44</u>
		<u>202</u>	<u>197</u>
<b>Current Liabilities</b>			
Other payables		2,511	2,252
Amounts due to subsidiaries		36,293	35,725
Amounts due to directors		3,268	1,868
Other borrowings	<i>21</i>	<u>–</u>	<u>1,500</u>
		<u>42,072</u>	<u>41,345</u>
<b>Net Current Liabilities</b>		<u>(41,870)</u>	<u>(41,148)</u>
		<u>111,536</u>	<u>78,432</u>
<b>Capital and Reserves</b>			
Share capital	<i>22</i>	1,192	828
Reserves	<i>24</i>	<u>110,344</u>	<u>77,604</u>
		<u>111,536</u>	<u>78,432</u>



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY***For the year ended 31 December 2004*

	<b>2004</b>	<b>2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total equity at beginning of the year	101,648	203,340
Net profit (loss) for the year	12,262	(107,791)
Issue of shares	19,152	6,099
	<u>133,062</u>	<u>101,648</u>
Total equity at end of the year	<u><u>133,062</u></u>	<u><u>101,648</u></u>

**CONSOLIDATED CASH FLOW STATEMENT***For the year ended 31 December 2004*

	<b>2004</b> <i>HK\$'000</i>	<b>2003</b> <i>HK\$'000</i>
<b>OPERATING ACTIVITIES</b>		
Profit (loss) from operations	14,932	(107,663)
Adjustments for:		
Amortisation and depreciation	1,193	42
Impairment loss on leasehold land and buildings	813	–
Unrealised holding (gain) loss of other investments	(4,709)	5,620
Revaluation (increase) decrease on investment properties	(11,000)	45,000
Loss on disposal of property, plant and equipment	–	42
Reversal of accrued charges in respect of financial restructuring of the Group in prior years	–	(5,102)
Realised loss on surrender of other investments to discharge borrowings	–	46,620
	<hr/>	<hr/>
Operating cash flows before movements in working capital	1,229	(15,441)
Increase in inventories	(169)	–
Decrease in other investments	190	27,230
(Increase) decrease in trade and other receivables	(858)	479
(Increase) decrease in prepayments and deposits	(97)	89
Increase (decrease) in trade and other payables	1,322	(940)
Increase in amounts due to directors	1,400	1,868
Increase in rental deposits	404	182
	<hr/>	<hr/>
Cash from operations	3,421	13,467
Interest paid	(2,765)	(8,790)
Finance charges on finance lease paid	–	(6)
Hong Kong Profits Tax paid	–	(59)
	<hr/>	<hr/>
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>656</b>	<b>4,612</b>

	<i>Notes</i>	<b>2004</b> <i>HK\$'000</i>	<b>2003</b> <i>HK\$'000</i>
<b>INVESTING ACTIVITIES</b>			
Purchase of investment securities		(3,000)	–
Net cash outflow arising from acquisition of subsidiaries	26	(666)	–
Purchases of property, plant and equipment		(624)	–
Proceeds on disposal of property, plant and equipment		–	350
		<hr/>	<hr/>
<b>NET CASH (USED IN) FROM INVESTING ACTIVITIES</b>		<b>(4,290)</b>	<b>350</b>
		<hr/>	<hr/>
<b>FINANCING ACTIVITIES</b>			
Issue of shares		19,152	6,099
Advance from a minority shareholder		640	–
Repayment of bank loans		(10,550)	(9,100)
Repayment of other short term borrowings		(2,403)	(9,896)
New short term borrowings raised		–	8,000
Repayment of loans from directors		–	(314)
Repayment of obligations under a finance lease		–	(143)
		<hr/>	<hr/>
<b>NET CASH FROM (USED IN) FINANCING ACTIVITIES</b>		<b>6,839</b>	<b>(5,354)</b>
		<hr/>	<hr/>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>3,205</b>	<b>(392)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>875</b>	<b>1,267</b>
		<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR, represented by bank balances and cash</b>		<b>4,080</b>	<b>875</b>
		<hr/> <hr/>	<hr/> <hr/>

**NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31 December 2004*

**1. GENERAL**

The Company was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended) and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Group is principally engaged in property investment, securities trading, production and sale of fertilizers and investment holding.

**2. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS**

In 2004, the Hong Kong Institute of Certified Public Accountants issued a number of new or revised Hong Kong Accounting Standards (“HKASs”) and Hong Kong Financial Reporting Standards (“HKFRSs”) (herein collectively referred to as “new HKFRSs”) which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 December 2004.

The Group has commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these HKFRSs would have a significant impact on how its results of operations and financial position are presented. These HKFRSs may result in changes in the future as to how the results and financial position are presented.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The financial statements have been prepared under the historical cost convention as modified for the revaluation of investment properties and certain investments in securities. The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

**Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to the balance sheet date.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

**Goodwill**

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group’s interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is capitalised and amortised on a straight-line basis over its useful economic life.

**Investments in subsidiaries**

Investments in subsidiaries are included in the Company’s balance sheet at cost less any identified impairment loss.

**Investments in securities**

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the year.

**Revenue recognition**

Sale of goods is recognised when goods are delivered and title has passed.

Rental income in respect of properties under operating leases, where substantially all the risks and rewards of ownership of assets remain with the lessor, is recognised over the lease term of the respective tenancy on a straight-line basis.

Sale proceeds on trading of securities are recognised on a trade date basis when the sale and purchase agreement becomes unconditional.

**Property, plant and equipment**

Property, plant and equipment are stated at cost less depreciation and amortisation and accumulated impairment losses.

Depreciation and amortisation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method, at the following rates per annum:

Leasehold land	Over the term of the lease
Buildings	5%
Plant and machinery	10% – 20%
Furniture, fixtures and equipment	10% – 33%
Motor vehicles	20%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

**Impairment**

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

**Investment properties**

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on independent professional valuation at the balance sheet date. Any revaluation increase or decrease arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve is charged to the income statement. Where a decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged.

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to the income statement.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.

**Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

**Operating leases**

Rentals payable in respect of operating leases are charged to the income statement on a straight-line basis over the relevant lease term.

**Foreign currencies**

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Gains and losses arising on exchange are included in net profit or loss for the year.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expense in the period in which the operation is disposed of.

**Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

#### **Retirement benefit costs**

Payments to the Mandatory Provident Fund Scheme (the “MPF Scheme”) and state-managed retirement benefit scheme are charged as an expense as they fall due.

## 4. TURNOVER AND SEGMENT INFORMATION

Turnover represents the aggregate of proceeds from securities trading, rental income and proceeds from sale of goods.

**Business segments**

For management purposes, the Group is currently organised into production and sale of fertilizers, investment holding and property investment divisions, which are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below.

**INCOME STATEMENT**

*For the year ended 31 December 2004*

	<b>Production and sale of fertilizers</b> <i>HK\$'000</i>	<b>Investment holding</b> <i>HK\$'000</i>	<b>Property investment</b> <i>HK\$'000</i>	<b>Consolidated</b> <i>HK\$'000</i>
SEGMENT TURNOVER	6,420	552	8,235	15,207
RESULTS				
Segment result	(2,211)	4,399	17,607	19,795
Unallocated corporate expenses				(4,863)
Profit from operations				14,932
Finance costs				(2,984)
Profit before taxation				11,948
Income tax				(334)
Profit before minority interests				11,614
Minority interests				648
Net profit for the year				12,262



For the year ended 31 December 2003

	<b>Production and sale of fertilizers</b> <i>HK\$'000</i>	<b>Investment holding</b> <i>HK\$'000</i>	<b>Property investment</b> <i>HK\$'000</i>	<b>Consolidated</b> <i>HK\$'000</i>
SEGMENT TURNOVER	–	17,758	7,529	25,287
<b>RESULTS</b>				
Segment result	–	(66,422)	(39,949)	(106,371)
Other operating income				89
Reversal of accrued charges in respect of financial restructuring of the Group in prior years				5,102
Unallocated corporate expenses				(6,483)
Loss from operations				(107,663)
Finance costs				(8,712)
Loss before taxation				(116,375)
Income tax				8,584
Loss for the year				(107,791)

#### BALANCE SHEET

At 31 December 2004

	<b>Production and sale of fertilizers</b> <i>HK\$'000</i>	<b>Investment holding</b> <i>HK\$'000</i>	<b>Property investment</b> <i>HK\$'000</i>	<b>Consolidated</b> <i>HK\$'000</i>
<b>ASSETS</b>				
Segment assets	9,995	22,214	267,323	299,532
Unallocated corporate assets				4,026
Consolidated total assets				303,558
<b>LIABILITIES</b>				
Segment liabilities	1,153	–	8,190	9,343
Unallocated corporate liabilities				160,969
Consolidated total liabilities				170,312

At 31 December 2003

	<b>Production and sale of fertilizers</b> <i>HK\$'000</i>	<b>Investment holding</b> <i>HK\$'000</i>	<b>Property investment</b> <i>HK\$'000</i>	<b>Consolidated</b> <i>HK\$'000</i>
<b>ASSETS</b>				
Segment assets	–	14,705	256,155	270,860
Unallocated corporate assets				1,078
Consolidated total assets				<u>271,938</u>
<b>LIABILITIES</b>				
Segment liabilities	–	330	7,884	8,214
Unallocated corporate liabilities				162,076
Consolidated total liabilities				<u>170,290</u>

**OTHER INFORMATION**

For the year ended 31 December 2004

	<b>Production and sale of fertilizers</b> <i>HK\$'000</i>	<b>Investment holding</b> <i>HK\$'000</i>	<b>Property investment</b> <i>HK\$'000</i>
Additions to property, plant and equipment			
Acquisition of subsidiaries	8,834	–	–
Other additions	624	–	–
Goodwill arising on acquisition of subsidiaries	820	–	–
Amortisation and depreciation	1,193	–	–
Impairment loss on leasehold land and buildings	813	–	–
	<u>12,284</u>	<u>–</u>	<u>–</u>

For the year ended 31 December 2003

	<b>Production and sale of fertilizers</b> <i>HK\$'000</i>	<b>Investment holding</b> <i>HK\$'000</i>	<b>Property investment</b> <i>HK\$'000</i>
Realised loss on surrender of other investments to discharge borrowings	–	46,620	–
Unrealised holding loss of other investments	–	5,620	–
Revaluation decrease on investment properties	–	–	45,000
	<u>–</u>	<u>52,240</u>	<u>45,000</u>

**Geographical segments**

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services:

	<b>Sales revenue by geographical market</b>	
	<b>2004</b>	<b>2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	8,787	25,287
Other regions in the People's Republic of China (the "PRC")	6,420	–
	<u>15,207</u>	<u>25,287</u>

The following is an analysis of the carrying amount of segment assets and additions to property, plant and equipment and goodwill, analysed by geographical area in which the assets are located:

	<b>Carrying amount of segment assets</b>		<b>Additions to property, plant and equipment and goodwill</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	289,489	270,860	8	–
PRC	10,043	–	10,270	–
	<u>299,532</u>	<u>270,860</u>	<u>10,278</u>	<u>–</u>

**5. REALISED LOSS ON SURRENDER OF OTHER INVESTMENTS TO DISCHARGE BORROWINGS**

	<b>2004</b>	<b>2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Realised loss on surrender of shares of China Gas Holdings Limited ("China Gas") to certain lenders to discharge borrowings	<u>–</u>	<u>46,620</u>

During the year ended 31 December 2003, the Group surrendered 63 million shares of China Gas to certain lenders to discharge borrowings of HK\$18,900,000. At 1 January 2003, the carrying value of these shares was HK\$65,520,000. At the dates when the Group agreed to surrender the shares, the market value of these shares was HK\$46,380,000. As a result, the Group realised losses of HK\$46,620,000 from surrendering these shares, including losses of HK\$27,480,000 which represent the shortfall between the market values, at the dates when the Group agreed to surrender the shares, and the amount of borrowings discharged.

## 6. PROFIT (LOSS) FROM OPERATIONS

	<b>THE GROUP</b>	
	<b>2004</b>	<b>2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit (loss) from operations has been arrived at after charging (crediting):		
Amortisation of goodwill	820	–
Depreciation and amortisation		
Owned assets	373	11
Asset held under a finance lease	–	31
	<hr/>	<hr/>
Total amortisation and depreciation	1,193	42
Auditors' remuneration		
– current year	400	300
– underprovision in prior years	55	–
Loss on disposal of property, plant and equipment	–	42
Rental income less outgoings	(6,879)	(5,585)
Realised loss on sale of other investments	40	13,669
Staff costs including directors' emoluments	3,407	3,182
	<hr/> <hr/>	<hr/> <hr/>

## 7. FINANCE COSTS

	<b>THE GROUP</b>	
	<b>2004</b>	<b>2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on:		
Bank borrowings wholly repayable within five years	2,575	4,024
Other loans wholly repayable within five years	190	4,682
Consideration payable for acquisition of subsidiaries ( <i>note 20</i> )	219	–
Finance lease	–	6
	<hr/>	<hr/>
	2,984	8,712
	<hr/> <hr/>	<hr/> <hr/>

## 8. DIRECTORS' EMOLUMENTS

	<b>THE GROUP</b>	
	<b>2004</b>	<b>2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Directors' fees	390	460
Other emoluments – executive directors		
Salaries and other benefits	1,920	1,920
	<hr/>	<hr/>
	2,310	2,380
	<hr/> <hr/>	<hr/> <hr/>

The directors' fees disclosed above include directors' fees of HK\$270,000 (2003: HK\$340,000) payable to independent non-executive directors.

The emoluments of the directors are individually below HK\$1,000,000 (2003: HK\$1,000,000).

## 9. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2003: three) are directors of the Company whose emoluments are included in note 8 above. The emoluments of the remaining three (2003: two) are as follows:

	<b>THE GROUP</b>	
	<b>2004</b>	<b>2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries and other benefits	586	390
Retirement benefit scheme contributions	28	18
	<u>614</u>	<u>408</u>

Their emoluments were within the following band:

	<b>2004</b>	<b>2003</b>
	<b>Number of employees</b>	<b>Number of employees</b>
Nil to HK\$1,000,000	<u>3</u>	<u>2</u>

## 10. INCOME TAX

	<b>THE GROUP</b>	
	<b>2004</b>	<b>2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
The charge (credit) for the year comprises:		
Hong Kong Profits Tax	–	59
Deferred tax ( <i>note 25</i> )	334	(8,643)
	<u>334</u>	<u>(8,584)</u>

No tax is payable on the profit for the year arising in Hong Kong since the assessable profit is wholly absorbed by tax losses brought forward. The tax charge for prior year represented underprovision in prior years.

Pursuant to the relevant laws and regulations in the PRC, a subsidiary in the PRC is entitled to exemption from PRC enterprise income tax for the first two years commencing from its first profit-making year of operation and thereafter, this PRC subsidiary will be entitled to a 50% relief from PRC enterprise income tax for the following three years.

The tax charge (credit) for the year can be reconciled to the profit (loss) before taxation per the income statement as follows:

	<b>2004</b> <i>HK\$'000</i>	<b>2003</b> <i>HK\$'000</i>
Profit (loss) before taxation	<u>11,948</u>	<u>(116,375)</u>
Tax charge (credit) at Hong Kong profits tax rate of 17.5% (2003: 17.5%)	2,091	(20,366)
Tax effect of non-deductible expenses	1,150	9,101
Tax effect of non-taxable income	(1,561)	(757)
Tax effect of current year's tax loss not recognised	91	2,884
Tax effect of utilisation of tax losses not previously recognised	(1,372)	-
Effect of tax concession granted to a PRC subsidiary	(94)	-
Effect of difference in tax rates	29	-
Tax effect of utilisation of deductible temporary difference not previously recognised	-	(315)
Increase in opening deferred tax liability due to increase in tax rate	-	810
Underprovision in prior year	-	59
Tax charge (credit) for the year	<u>334</u>	<u>(8,584)</u>

#### 11. EARNINGS (LOSS) PER SHARE

The calculation of basic earnings (loss) per share for the year is based on the net profit for the year of HK\$12,262,000 (2003: net loss of HK\$107,791,000) and on the weighted average number of 221,341,000 (2003: 146,686,000) ordinary shares in issue during the year.

The diluted earnings per share for the year has not been presented as there were no dilutive potential ordinary shares in existence during the year.

The computation of diluted loss per share for prior year did not assume the exercise of the outstanding warrants since their exercises would decrease the loss per share.

## 12. PROPERTY, PLANT AND EQUIPMENT

## THE GROUP

	Leasehold land and buildings <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST					
At 1 January 2004	–	–	50	–	50
Acquisition of subsidiaries	7,783	898	39	114	8,834
Additions	558	26	40	–	624
At 31 December 2004	<u>8,341</u>	<u>924</u>	<u>129</u>	<u>114</u>	<u>9,508</u>
DEPRECIATION AND AMORTISATION AND IMPAIRMENT					
At 1 January 2004	–	–	16	–	16
Provided for the year	276	60	20	17	373
Impairment loss recognised in income statement	813	–	–	–	813
At 31 December 2004	<u>1,089</u>	<u>60</u>	<u>36</u>	<u>17</u>	<u>1,202</u>
NET BOOK VALUES					
At 31 December 2004	<u><u>7,252</u></u>	<u><u>864</u></u>	<u><u>93</u></u>	<u><u>97</u></u>	<u><u>8,306</u></u>
At 31 December 2003	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>34</u></u>	<u><u>–</u></u>	<u><u>34</u></u>

The leasehold land and buildings are situated in the PRC under a medium-term lease.

During the year, the directors conducted a review of the Group's manufacturing assets and determined that the land and buildings are impaired in view of the current operating results. Accordingly, impairment loss of HK\$813,000 is recognised in income statement.

## 13. INVESTMENT PROPERTIES

THE GROUP  
*HK\$'000*

## VALUATION

At 1 January 2004	255,000
Revaluation increase	11,000
At 31 December 2004	<u><u>266,000</u></u>

Investment properties are located in Hong Kong under long leases. Investment properties were revalued at open market value at 31 December 2004 by LCH (Asia-Pacific) Surveyors Limited, a firm of chartered surveyors, on an open market existing use basis. The revaluation increase of HK\$11,000,000 has been credited to consolidated income statement.

At 31 December 2004, substantially all the investment properties were rented out under operating leases.

#### 14. GOODWILL

	<b>THE GROUP</b>
	<i>HK\$'000</i>
At 1 January 2004	–
Arising on acquisition of subsidiaries	820
Amortisation for the year	(820)
	<hr/>
At 31 December 2004	<u>–</u>

Subsequent to the balance sheet date, the consideration for acquisition of subsidiaries has been revised from HK\$30,000,000 to HK\$5,000,000 as described in note 33. Accordingly, the goodwill on acquisition of subsidiaries is reduced to HK\$820,000.

#### 15. INTERESTS IN SUBSIDIARIES

	<b>THE COMPANY</b>	
	<b>2004</b>	<b>2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	2	2
Amounts due from subsidiaries	289,501	278,697
	<hr/>	<hr/>
	289,503	278,699
Less: Allowances	(136,097)	(159,119)
	<hr/>	<hr/>
	<u>153,406</u>	<u>119,580</u>



Particulars of the subsidiaries at 31 December 2004, which are operating in Hong Kong except otherwise stated, are as follows:

Name	Place of incorporation	Issued and fully paid ordinary share capital/registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company		Principal activities
			Directly	Indirectly	
China Faith Limited	Hong Kong	Ordinary HK\$10,000	–	100%	Property investment
Delight Link Enterprises Limited	Hong Kong	Ordinary HK\$2	100%	–	Provision of administrative services to group companies
Everstate Investment Limited	British Virgin Islands	Ordinary US\$100	100%	–	Investment holding
Greater China Corporate Service Limited	Hong Kong	Ordinary HK\$1,000	100%	–	Provision of nominee and corporate services
Greatfield Corporation Limited	Hong Kong	Ordinary HK\$2	100%	–	Investment holding
Lucky Green Limited	British Virgin Islands	Ordinary US\$100	–	51%	Investment holding
Profit Capital Limited	British Virgin Islands	Ordinary US\$1	100%	–	Investment holding
Sharp Star Investment Corporation	British Virgin Islands	Ordinary US\$1	100%	–	Investment holding
Zhuhai S.E.Z. Rui Nong Plant Protection Technology Co. Ltd. (“Zhuhai Rui Nong”)*	PRC	Registered capital RMB4,812,895	–	51%	Production and sale of fertilizers
Zing World Enterprises Limited	British Virgin Islands	Ordinary US\$100	–	100%	Investment holding

\* A wholly foreign owned enterprise and operating in the PRC

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affect the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the balance sheet date.

## 16. INVESTMENTS IN SECURITIES

	<b>THE GROUP</b>	
	<b>2004</b>	<b>2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Investment securities:		
Unlisted equity investment, at cost	3,000	–
Other investments:		
Unlisted equity investments, at cost	37,010	37,010
Less: unrealised holding loss	(37,010)	(37,010)
	–	–
Equity investments listed in		
Hong Kong, at market value ( <i>note</i> )	19,166	14,695
Unit trust outside Hong Kong, at quoted value	48	–
	19,214	14,695
	<u>22,214</u>	<u>14,695</u>
Carrying amount analysed for reporting purpose as:		
Non-current	3,000	–
Current	19,214	14,695
	<u>22,214</u>	<u>14,695</u>

*Note:* The amount represents a 0.94% (2003: 1.33%) interest in China Gas which was incorporated in Bermuda and is principally engaged in investing in natural gas/energy projects, property investment and securities investment.

## 17. INVENTORIES

	<b>THE GROUP</b>	
	<b>2004</b>	<b>2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials, at cost	63	–
Finished goods, at cost	164	–
	<u>227</u>	<u>–</u>

**18. TRADE AND OTHER RECEIVABLES**

Rentals receivable from tenants are payable on presentation of invoices. The Group allows a credit period of 30 days to 90 days to other trade customers.

The following is an aged analysis of trade and other receivables of the Group at the balance sheet date:

	<b>2004</b> <i>HK\$'000</i>	<b>2003</b> <i>HK\$'000</i>
0 – 60 days	936	204
61 – 90 days	262	26
Over 90 days	144	90
	<u>1,342</u>	<u>320</u>

**19. TRADE AND OTHER PAYABLES**

The following is an aged analysis of trade and other payables of the Group at the balance sheet date:

	<b>2004</b> <i>HK\$'000</i>	<b>2003</b> <i>HK\$'000</i>
0 – 60 days	1,480	1,463
61 – 90 days	102	575
Over 90 days	8,404	6,407
	<u>9,986</u>	<u>8,445</u>

**20. CONSIDERATION PAYABLE FOR ACQUISITION OF SUBSIDIARIES**

	<b>2004</b> <i>HK\$'000</i>	<b>2003</b> <i>HK\$'000</i>
Consideration payable for acquisition of subsidiaries	29,000	–
Reduction of consideration ( <i>note 33</i> )	(25,000)	–
	<u>4,000</u>	<u>–</u>

The amount represents the outstanding consideration for the acquisition of a 51% interest in Lucky Green Limited and its subsidiary (*note 26*), which bears interest at 1% per annum and is payable in or before March 2005. Subsequent to the balance sheet date, the consideration payable was reduced to HK\$4,000,000, as described in *note 33*.

## 21. BANK AND OTHER BORROWINGS

	THE GROUP		THE COMPANY	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank loans ( <i>note a</i> )	128,693	138,300	–	–
Margin loans ( <i>note a</i> )	1,750	2,653	–	–
Other loan ( <i>note b</i> )	–	1,500	–	1,500
	<u>130,443</u>	<u>142,453</u>	<u>–</u>	<u>1,500</u>
Secured	130,443	140,953	–	–
Unsecured	–	1,500	–	1,500
	<u>130,443</u>	<u>142,453</u>	<u>–</u>	<u>1,500</u>
The maturity of the borrowings is as follows:				
Repayable				
– on demand or within one year	130,443	11,953	–	1,500
– between one to two years	–	130,500	–	–
	<u>130,443</u>	<u>142,453</u>	<u>–</u>	<u>1,500</u>
Less: Amount due within one year shown under current liabilities	<u>(130,443)</u>	<u>(11,953)</u>	<u>–</u>	<u>(1,500)</u>
	<u>–</u>	<u>130,500</u>	<u>–</u>	<u>–</u>

*Notes:*

- (a) The loans bear interest at market rates.
- (b) Up to 30 July 2003, the lender charged interest at 18% per annum and since then, the loan was interest free and had been fully repaid during the year ended 31 December 2004.

## 22. SHARE CAPITAL

	Number of shares ‘000	Nominal amount HK\$‘000
Authorised:		
Ordinary shares of HK\$0.10 each at 1 January 2003	20,000,000	2,000,000
Reduction of the nominal value of share capital of HK\$0.10 each to HK\$0.0001 each	–	(1,998,000)
Consolidation of every 50 shares of HK\$0.0001 each to one share of HK\$0.005 each	(19,600,000)	–
Increase in authorised share capital of HK\$0.005 each	<u>421,578,000</u>	<u>2,107,890</u>
Ordinary shares of HK\$0.005 each at 31 December 2003 and 2004	<u>421,978,000</u>	<u>2,109,890</u>
Preference shares of HK\$0.10 each at 1 January 2003	1,100,000	110,000
Reduction of the nominal value of share capital of HK\$0.10 each to HK\$0.0001 each	–	(109,890)
Consolidation of every 50 shares of HK\$0.0001 each to one share of HK\$0.005 each	<u>(1,078,000)</u>	<u>–</u>
Preference shares of HK\$0.005 each at 31 December 2003 and 2004	<u>22,000</u>	<u>110</u>
Issued and fully paid:		
Ordinary shares of HK\$0.10 each at 1 January 2003	6,899,557	689,956
Reduction of the nominal value of share capital of HK\$0.10 each to HK\$0.0001 each	–	(689,266)
Consolidation of every 50 shares of HK\$0.0001 each to one share of HK\$0.005 each	(6,761,566)	–
Issue of shares	<u>27,598</u>	<u>138</u>
Ordinary shares of HK\$0.005 each at 31 December 2003	165,589	828
Issue of shares	<u>72,800</u>	<u>364</u>
Ordinary shares of HK\$0.005 each at 31 December 2004	<u>238,389</u>	<u>1,192</u>

During the year, pursuant to subscription agreements, 33,100,000 and 39,700,000 ordinary shares of HK\$0.005 each were issued at HK\$0.231 and HK\$0.2898 per share for cash, respectively, to provide additional working capital to the Group.

**23. SHARE OPTION SCHEME**

Pursuant to an ordinary resolution passed at the special general meeting of shareholders held on 22 April 2002, the Company adopted a share option scheme (the “Scheme”) which enables the directors of the Company to grant options to the employees (including directors) of the Group in recognition of their contribution to the Group. The Scheme will expire on 21 April 2012.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at the date of shareholders’ approval of the Scheme (the “Scheme Mandate Limit”) or if such 10% limit is refreshed, at the date of shareholders’ approval of the renewal of the Scheme Mandate Limit. The maximum aggregate number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme must not exceed 30% of the total number of shares of the Company in issue from time to time. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company then in issue, without prior approval from the shareholders of the Company. Each grant of options to a connected person must be approved by independent non-executive directors. Options granted to any substantial shareholder or independent non-executive director or their associate in excess of 0.1% of the share capital of the Company or with a value in excess of HK\$5,000,000 in the 12-month period up to the date of grant must be approved in advance by the shareholders of the Company.

Options granted must be taken up within 28 days from the date of grant, upon payment of HK\$1 per option. Any option may be exercised in accordance with the terms of the Scheme at any time during the effective period of the Scheme to be notified by the board of directors which shall not be later than 10 years from the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the higher of the closing price of the share of the Company on the date of grant, and the average closing price of the share on the Stock Exchange for the five business days immediately preceding the date of grant.

During the year ended 31 December 2003 and 2004, no options were granted under the Scheme.

**24. RESERVES****THE GROUP**

	<b>Share premium</b>	<b>Deficit</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2003	323,342	(809,958)	(486,616)
Issue of shares	5,961	–	5,961
Arising from the capital reduction	–	689,266	689,266
Net loss for the year	–	(107,791)	(107,791)
	<hr/>	<hr/>	<hr/>
At 31 December 2003	329,303	(228,483)	100,820
Issue of shares	18,788	–	18,788
Net profit for the year	–	12,262	12,262
	<hr/>	<hr/>	<hr/>
At 31 December 2004	<u>348,091</u>	<u>(216,221)</u>	<u>131,870</u>

## THE COMPANY

	<b>Share premium</b> <i>HK\$'000</i>	<b>Contributed surplus</b> <i>HK\$'000</i>	<b>Deficit</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
At 1 January 2003	323,342	64,379	(937,374)	(549,653)
Issue of shares	5,961	–	–	5,961
Arising from the capital reduction	–	–	689,266	689,266
Net loss for the year	–	–	(67,970)	(67,970)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2003	329,303	64,379	(316,078)	77,604
Issue of shares	18,788	–	–	18,788
Net profit for the year	–	–	13,952	13,952
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2004	<u>348,091</u>	<u>64,379</u>	<u>(302,126)</u>	<u>110,344</u>

The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of the subsidiaries at the date on which they were acquired by the Company and the nominal amount of the Company's shares issued for the acquisition at the time of the group reorganisation prior to the listing of the Company's shares in 1992.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend or make a distribution out of contributed surplus if:

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities, its issued share capital and its share premium account.

At 31 December 2004 and 2003, the Company had no reserve available for distribution to shareholders.

## 25. DEFERRED TAX

At the balance sheet date and during the year, deferred tax liabilities (assets) have been recognised in respect of the temporary differences attributable to the following:

## THE GROUP

	<b>Property, plant and equipment</b>	<b>Investment properties</b>	<b>Unrealised holding gain on other investments</b>	<b>Tax losses</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2003	46	1,052	8,643	(1,098)	8,643
Charge (credit) to income statement					
Effect of change in tax rate	4	99	810	(103)	810
(Credit) charge to income statement	(44)	211	(8,881)	(739)	(9,453)
At 31 December 2003 and at 1 January 2004	6	1,362	572	(1,940)	–
Acquisition of subsidiaries	770	–	–	–	770
Charge (credit) to income statement	(114)	940	801	(1,293)	334
At 31 December 2004	<u>662</u>	<u>2,302</u>	<u>1,373</u>	<u>(3,233)</u>	<u>1,104</u>

At the balance sheet date, the Group has unused tax losses of HK\$90,653,000 (2003: HK\$95,569,000), a substantial amount of which has not been agreed by the Inland Revenue Department, available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$18,477,000 (2003: HK\$11,089,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$72,176,000 (2003: HK\$84,480,000) due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

## THE COMPANY

At the balance sheet date, the Company has unused tax losses of HK\$8,048,000 (2003: HK\$8,048,000) available for offset against future profit. No deferred tax asset has been recognised due to the unpredictability of future profit streams.



**26. ACQUISITION OF SUBSIDIARIES**

In March 2004, the Group acquired a 51% interest in Lucky Green Limited, which holds a 100% interest in the registered capital of Zhuhai Rui Nong, for a cash consideration of HK\$30,000,000. Subsequent to the balance sheet date, the purchase consideration has been revised from HK\$30,000,000 to HK\$5,000,000, as disclosed in note 33. Zhuhai Rui Nong was established in the PRC and is principally engaged in the production and sale of fertilizers. This transaction has been accounted for using the purchase method of accounting.

	<i>HK\$'000</i>
Net assets acquired	
Property, plant and equipment	8,834
Inventories	58
Trade receivables	164
Prepayments and deposits	278
Bank balances and cash	334
Amount due to a minority shareholder	(2,943)
Bank loan	(943)
Deferred tax liability	(770)
Minority interests	(832)
	4,180
Goodwill arising on acquisition ( <i>Note</i> )	820
	5,000
Consideration	5,000
Less: deferred consideration ( <i>note 20</i> )	(4,000)
	1,000
Cash consideration	1,000
Net cash outflow arising on acquisition	
Cash consideration paid	(1,000)
Bank balances and cash acquired	334
	(666)

*Note:* Amount represents goodwill arising on acquisition after the effect of adjustment to consideration as described in note 33.

The subsidiaries acquired during the year contributed HK\$6,420,000 to the Group's turnover and incurred a loss from operation of HK\$1,391,000.

**27. MAJOR NON-CASH TRANSACTION**

During the year ended 31 December 2003, the Group surrendered certain shares of China Gas with an aggregate market value of HK\$46,380,000 for the settlement of loans of HK\$18,900,000 as disclosed in note 5.

**28. CONTINGENT LIABILITIES****THE COMPANY**

	<b>2004</b> <i>HK\$'000</i>	<b>2003</b> <i>HK\$'000</i>
Guarantee given to a bank in respect of a loan facility granted to a wholly-owned subsidiary	<u>127,750</u>	<u>138,300</u>

**THE GROUP**

At the balance sheet date, the Group has no contingent liabilities.

**29. OPERATING LEASE ARRANGEMENTS****The Group as lessor**

At the balance sheet date, investment properties were leased out for periods ranging from 1 to 5 years and some of the leases have renewal options given to the leases. The future minimum leases payments receivable by the Group under non-cancellable operating leases is as follows:

	<b>THE GROUP</b>	
	<b>2004</b> <i>HK\$'000</i>	<b>2003</b> <i>HK\$'000</i>
Not later than one year	8,227	6,474
Later than one year but not later than five years	<u>9,075</u>	<u>5,559</u>
Total	<u>17,302</u>	<u>12,033</u>

**30. PLEDGED ASSETS**

- (a) At 31 December 2004 and 2003, all the Group's investment properties and investment in shares of China Faith Limited are pledged and the rental income in respect of the investment properties under operating leases are assigned to a bank against a bank loan granted to the Group.
- (b) Other investments of HK\$19,166,000 (2003: HK\$14,695,000) are pledged against margin loan facilities granted to the Group.
- (c) Property, plant and equipment of HK\$6,795,000 (2003: nil) are pledged against a bank loan granted to the Group.

**31. RELATED PARTY TRANSACTIONS AND BALANCES**

During the year, the Group obtained an advance from a minority shareholder through the acquisition of subsidiary.

The amounts due to directors and a minority shareholder at the balance sheet date are disclosed in the balance sheets. The amounts are interest free, unsecured and repayable on demand.

During the year, a minority shareholder provides a guarantee, at no charge to the Group, to a bank for a bank loan of HK\$943,000 granted to a subsidiary.

**32. RETIREMENT BENEFITS SCHEMES**

The Group is required to participate in the MPF Scheme in respect of its employees. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. Both the Group and its employees contribute 5% of the relevant payroll costs to the MPF Scheme.

The employees of the Company's subsidiary established in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. The subsidiary is required to contribute certain percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

Contributions to the retirement benefit schemes for the year amounted to HK\$41,000 (2003: HK\$35,000).

**33. POST BALANCE SHEET EVENTS**

- (a) Subsequent to the balance sheet date, agreement was reached with the vendors of 51% interest in Lucky Green Limited pursuant to which the total consideration has been revised from HK\$30,000,000 to HK\$5,000,000. Accordingly, the consideration payable for acquisition of subsidiaries as at the balance sheet date will be reduced from HK\$29,000,000 to HK\$4,000,000 which has been fully settled in March 2005; and
- (b) Subsequent to the balance sheet date, the Group disposed of all its investments in China Gas for a total consideration of HK\$23,326,000.

**3. INDEBTEDNESS**

As at the close of business on 31 May 2005, being the latest practicable date for this indebtedness statement, the Group had outstanding bank and other borrowings of approximately HK\$131.1 million, comprising a secured bank loan of approximately HK\$124.5 million and unsecured amount due to a minority shareholder of approximately HK\$6.6 million. The bank loan is secured on investment properties of the Group with a carrying amount of HK\$266 million and the rental income in respect of the investment properties under operating leases are assigned to the bank.

Save as aforesaid and apart from intra-group liabilities, the Group did not have, at the close of business on 31 May 2005, any mortgages, charges, debentures, loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, hire purchase commitments, liabilities under acceptance or acceptable credits, any guarantees or other material contingent liabilities.

**4. MATERIAL CHANGE**

Save for the revaluation increase on investment properties of HK\$37,380,000 from HK\$266,000,000 as valued on 31 December 2004 to HK\$303,380,000 as stated in Appendix III to this Composite Offer Document, the Directors are not aware of any material change in the financial or trading position or prospects of the Group since 31 December 2004, being the date to which the latest published audited financial statements of the Group were made up.

**5. PROPERTY VALUATION**

According to Appendix III to this Composite Offer Document, LCH (Asia-Pacific) Surveyors Limited, an independent valuer, appraised that the amount of valuations in existing state of the properties owned by the Group was approximately HK\$315,630,000 as at 31 May 2005. Such properties were recorded as fixed assets with a carrying value of approximately HK\$7,252,000 and as investment properties with a carrying value of approximately HK\$266,000,000 as stated in the consolidated balance sheet of the Group as at 31 December 2004.

*The following is the text of a letter, summary of valuations and valuation certificate prepared for the purpose of incorporation in this Composite Offer Document received from LCH (Asia-Pacific) Surveyors Limited, an independent valuer, in connection with their valuations as at 31 May 2005 of the property interests of the Group.*



利駿行測量師有限公司

**LCH (Asia-Pacific)** Surveyors Limited

CHARTERED SURVEYORS  
PLANT AND MACHINERY VALUERS  
BUSINESS & FINANCIAL SERVICES VALUERS

27th Floor  
Li Dong Building  
No. 9 Li Yuen Street East  
Central  
Hong Kong

15 July 2005

The Directors  
Greater China Holdings Limited  
Room 1804  
1 Lyndhurst Tower  
No. 1 Lyndhurst Terrace  
Central  
Hong Kong

Dear Sirs,

In accordance with your instructions to value the properties in which Greater China Holdings Limited (hereinafter referred to as the “Company”) and its subsidiaries (hereinafter together with the Company referred to as the “Group”) have interests in the People’s Republic of China (hereinafter referred to as the “PRC” or “China”) and in Hong Kong for the Company’s financial statements and for the purpose of incorporation in this circular, we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary to support our findings and our opinion of values of the properties of the Group as at 31 May 2005 (hereinafter referred to as the “date of valuation”).

We understand that the management of the Company will incorporate our work product (i.e. this letter, the attached summary of values and the valuation certificate) as part of its financial statements and we have not been engaged to make specific sale or purchase recommendations. We further understand that the use of our work product will not supplant other due diligence, which the management of the Company should conduct, in reaching its business decisions regarding the properties valued. Our work is designed solely to provide an independent valuation that will allow the management of the Company to make an informed decision.

According to the 1st Edition of the HKIS Valuation Standards on Properties (hereinafter referred to as the “HKIS Standards”) published by The Hong Kong Institute of Surveyors (the “HKIS”), in

valuing owner occupied properties for financial statements, there are two valuation bases supported by the HKIS Standards, namely the Market Value and the Depreciated Replacement Cost (hereinafter referred to as the “DRC”).

The DRC basis is considered as a surrogate for Market Value and is a procedural value based on an estimate of the Market Value for the existing use of the land, plus the current gross replacement (reproduction) costs of the improvements erected thereon, less allowance for physical deterioration and all relevant forms of obsolescence and optimisation.

The term “Market Value” is defined as “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

For owner occupied specialised properties where it is impracticable to identify the Market Value by market comparison basis, the DRC is considered as the most appropriate basis. The underlying theory of this basis is the Market Value of the valued property should, at least, be equivalent to the replacement cost of the remaining service potential of the valued property i.e. the DRC of the valued property. In our opinion, the DRC generally furnishes the most reliable indication of value for property where it is not practicable to ascertain its value on market basis.

Specialised properties are certain types of properties which are rarely, if ever, sold in the open market, except by way of a sale of the business of which they are a part (called the business in occupation), due to their uniqueness arising from their specialised nature and design of the buildings, their configuration, size, location or otherwise. Examples are: standard properties located in particular geographical areas and remote from main business centres for operational or business reasons, that are of such an abnormal size for that district, that there would be no market for such buildings there; buildings and site engineering works related directly to the business of the owner, as it is highly unlikely that they would have a value to anyone other than a company acquiring the undertaking; and properties of such construction, arrangement, size or specification that there would be no market (for a sale to a single owner occupier for the continuation of existing use) for those buildings. Having considered the inherent and general characteristics of the properties in Groups I and II, we are of the opinion that the properties are specialised properties.

As the properties being valued in Groups I and II are classified as specialised properties for private sector and it is impracticable to ascertain the indication of value of the properties on market basis, our valuations of the properties are on the basis of the DRC of these properties and being subject to the adequate potential profitability of the business having due regard to the value of the total assets employed and the nature of the operation.

By using the DRC basis, the land should be assumed to having obtained planning permission for the replacement of the existing buildings and it is always necessary when valuing the land, to have regard to the manner in which the land is developed by the existing buildings and site works, and the extent to which these realise the full potential value of the land. When considering a notional replacement site, it should normally be regarded as having the same physical and location characteristics as the actual site, other than characteristics of the actual site which are not relevant, or are of no value, to the existing use. In considering the buildings, it further stipulates that the gross replacement cost of the buildings should take into consideration everything which is necessary to complete the construction from a new green field site to provide buildings as they are at the date of valuation which are fit for and capable of being

occupied and used for the current use. These estimated costs are not for erecting buildings in the future but for providing buildings to be available for occupation at the date of valuation, the work having commenced at the appropriate time.

As the DRC basis is a commonly accepted method in negotiating merger and acquisition in China, we consider that there should be no significant difference between the Market Value and the arrived DRC of the properties in case of cessation of the existing business (if any) as at the date of valuation.

In valuing the properties in Groups I and II, we have assumed that the Group has free and uninterrupted rights to use the property interests for the whole of the unexpired terms as granted and has the rights to freely assign, let or mortgage the properties. We have also assumed that any premiums payable have already been paid in full.

The current status of the properties in Groups I and II regarding major approvals, consents or licences required in the PRC is set out as follows:

<b>Property</b>	<b>Enterprise Legal Person Business Licence</b>	<b>Document/ Approval Contract for the Grant/Transfer of State-owned Land Use Rights or equivalent</b>	<b>Permit for Construction Usage Land</b>	<b>Realty Title Certificate/ Building Ownership Certificate</b>
Property 1	Yes	Yes	N/A	Yes
Property 2	Yes	Yes	Yes	No

Our valuation of the property in Group III is on the basis of Market Value. Our valuation has been made on the assumption that the owner sells the property on the open market in its existing states without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which would serve to increase the value of the property.

Property in Group III has been valued on an open market basis assuming sale with existing tenancies by using the investment method and otherwise with vacant possession by using sales comparison approach. Investment approach considers capitalising the net rental income receivable from the existing tenancy and the reversionary rental income potentials. The underlying assumption of this method is that an investor will pay no more for the property than he or she would have to be paid for another property with an income stream of comparable amount, duration, and certainty. The sales comparison approach considers the sales, listing or offerings of similar or substitute properties and related market data establishes a value estimate by processes involving comparison. The underlying assumption of this approach is that an investor will pay no more for a property than he or she would have to pay for a similar property of comparable utility. However, in our valuations, we have not taken into account the redevelopment value or merge value of the property.

According to Standard 3 of the International Valuation Standards published by the International Valuation Standards Committee, different classes of assets and basis of valuations should be separately present in the certificate or report. Thus we have followed these guidelines in presenting our opinions under different basis of value, namely the Market Value and the DRC.

We have relied solely on the information provided by the management of the Company and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, occupation, lettings, rental, site and floor areas and all other relevant matters.

We have not carried out on-site measurements to verify the correctness of the areas of the properties, but have assumed that the areas shown on the documents and official plans handed to us are correct. All dimensions, measurements and areas are approximations.

Our engagement did not include land survey to verify the legal boundaries and the exact location of the properties. We need to state that we are not in the land survey profession, therefore, we are not in the position to verify or ascertain the correctness of the representation of the Group's personnel with regard to the legal boundaries and location of the properties. No responsibility is assumed in this regard.

We have inspected the exterior, and where possible, the interior of the properties in respect of which we have been provided with such information as we have requested for the purpose of our valuations. We have not inspected those parts of the properties which were covered, unexposed or inaccessible and such parts have been assumed to be in reasonable condition. We cannot express an opinion about or advice upon the condition of uninspected parts and the attached valuation certificate should not be taken as making any implied representation or statement about such parts. No structural survey, investigation or examination has been made, but in the course of our inspections we did not note any serious defects in the properties valued. We are not, however, able to report that the properties are free from rot, infestation or any other structural defects. No tests were carried out to the services (if any) and we are unable to identify those services covered, unexposed or inaccessible.

Our valuations have been made on the assumption that no unauthorised alteration, extension or addition has been made to the properties, and that the use of the attached valuation certificate should not be used as a building survey of the properties.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions, and outgoings of an onerous nature which could affect their values.

According to the information provided by the management of the Company, the properties owned by the Group are situated in Hong Kong and the PRC. The properties situated in Hong Kong are investment properties and have been held for long term investment purpose. No tax liability will crystallise for the Group on any disposal of any such property interests of the Group at the amount of the valuation. For the properties situated in the PRC, the type of taxes that could arise when those properties are sold include enterprise income tax, business tax, land appreciation tax and stamp duty. The Group has no plan to sell the properties as they are held for its owned business operations. It is unlikely that the potential tax liability will be crystallised in the near future.

We have been provided with copies of the title documents regarding the properties. However, we have not inspected the original documents to verify ownership or to verify any amendment which may not appear on the copies handed to us. We have conducted title searches on property in Group III in the Land Registry of Hong Kong. Due to inherent defects in the land registration system of China, we are unable to inspect the original documents from the relevant land registration departments to verify the existing titles of the properties or any material encumbrances that might be attached to the properties. We are not attorney by nature, thus we are unable to ascertain the titles and to report any encumbrances that may be registered against the properties. We have complied with the requirements as stated in Practice Note No. 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and relied solely on the copy of the PRC legal opinion as provided by the Group with regard to the Group's titles on the properties in Groups I and II as disclosed in the attached valuation certificate. We are given to understand that the PRC legal opinion was prepared by the Group's qualified PRC legal adviser. No responsibility and liability is assumed in relation to those legal opinions.

We have not arranged for any investigation to be carried out to determine whether or not any deleterious or hazardous materials have been used in the construction of the properties, or have since been incorporated into the properties, and we are therefore unable to report that the properties are 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 materials to any significant extent.

We are not aware of the content of any environmental audit or other environmental investigation or soil survey which may have been carried out on the properties and which may draw attention to any contamination or the possibility of any such contamination. In undertaking our work, we have been instructed to assume that no contaminative or potentially contaminative uses have ever been carried out in the properties. We have not carried out any investigation into past or present uses, either of the properties or of any neighbouring land, to establish whether there is any contamination or potential for contamination to the properties from these uses or sites, and have therefore assumed that none exists. However, should it be established subsequently that contamination, seepage or pollution exists at the properties or on any neighbouring land, or that the premises have been or are being put to a contaminative use, this might reduce the values now reported.

Within the time frame made available to us, we are unable to identify any adverse news against the properties which may affect the reported values in this report. Thus, we are not in the position to report and comment on its impact (if any) to the properties. However, should it be established subsequently that such news did exist at the date of valuation, we reserve the right to adjust the values reported herein.

To the best of our knowledge, all data set forth in the attached valuation certificate are true and accurate. Although gathered from reliable sources, no warranty is made nor liability assumed for the accuracy of any data, opinions, or estimates identified as being furnished by others which have been used in formulating the attached valuation certificate.

We are unable to accept any responsibility for the information that has not been supplied to us by the management of the Company. Also, we have sought and received confirmation from the management of the Company that no material factors have been omitted from the information supplied. Our analysis and valuations are based upon full disclosure between us and the Company of material and latent facts that may affect the valuations.



We have had no reason to doubt the truth and accuracy of the information provided to us by the management of the Company. We consider that we have been provided with sufficient information to reach an informed view, and have had no reason to suspect that any material information has been withheld.

The scope of valuations has been determined by reference to the property list provided by the management of the Company. All properties on the list have been included in the attached valuation certificate. The management of the Company has confirmed to us that it has no property interests other than those specified on the list supplied to us.

Our opinion of values of the properties in the attached summary of values and the valuation certificate are valid only for the stated purpose as at the date of valuation and for the sole use of the named client. No responsibility is taken for changes in market conditions and no obligation is assumed to revise the attached summary of values and the valuation certificate to reflect events or conditions which occur subsequent to the date hereof.

The attached summary of values and the valuation certificate is prepared in line with the ethics and guidelines as contained in Chapter 5 and Practice Note No.12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as well as the HKIS Standards. The valuations have been undertaken by valuers, acting as external valuers, qualified for the purpose of the valuations.

Unless otherwise stated, all monetary amounts are in Hong Kong dollars. In valuing the properties, the adopted exchange rate was the prevailing rate as at the date of valuation, being HK\$1 per RMB1.06 and no significant fluctuation in exchange rate has been found between that date and the date of this letter.

Neither we nor any individuals signing or associated with this report shall be required by reason of this report to give further consultation, testimony, or appear in court or other legal proceedings, unless prior specific arrangements have been made.

Our maximum liability relating to services rendered under this report (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the charges paid to us for the portion of its services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.

The Company is required to indemnify and hold us and our personnel harmless from any claims, liabilities, costs and expenses (including, without limitation, attorney's fees and the time of our personnel involved) brought against, paid or incurred by us at a time and in any way based on the information made available in connection with our work product except to the extent any such losses, expenses, damages or liabilities are ultimately determined to be the result of gross negligence of our engagement team in conducting its work. This provision shall survive even after the termination of this engagement for any reason.

Neither the whole nor any part of the attached summary of values and the valuation certificate or any reference made hereto may be included in any published document, circular or statement, or be published in any way, without our written approval of the form and context in which it may appear. Nonetheless, we consent to the publication of this letter, the attached summary of values and the valuation certificate in this circular.

We retain a copy of this letter, the attached summary of values and the valuation certificate in our files, together with the data from which they were prepared. We consider these records confidential, and we do not permit access to them by anyone without your authorisation and prior arrangement made with us. Moreover, we will add the Company's information into our client list for our future reference.

We hereby certify that the fee for this service is not contingent upon our conclusion of values and we have neither present nor prospective interest in the properties, the Company, the Group or the values reported.

Our valuations are summarised below and the valuation certificate is attached.

Yours faithfully,  
For and on behalf of  
**LCH (Asia-Pacific) Surveyors Limited**

**Joseph Ho Chin Choi**

*B.Sc. RPS (GP)  
Managing Director*

**Elsa Ng Hung Mui**

*B.Sc. M.Sc. RPS (GP)  
Associate Director*

*Notes:*

1. Mr. Joseph Ho Chin Choi has been conducting assets valuation (including real estate properties) and advisory work in Hong Kong, Macau, Taiwan, mainland China, Japan, South East Asia, Finland, Canada and the United States of America for various purposes since 1988. He has more than 16 years of experience in valuing real estate properties in mainland China.
2. Ms. Elsa Ng Hung Mui is a Registered Professional Surveyor who has been conducting valuation of real estate properties in Hong Kong since 1994 and has more than 6 years of experience in valuing properties in mainland China.
3. Both Mr. Joseph Ho Chin Choi and Ms. Elsa Ng Hung Mui are valuers on the List of Property Valuers for Undertaking Valuation for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers published by the HKIS.

## SUMMARY OF VALUES

**Group I – Property held and occupied by the Group under long-term title certificates in the PRC and valued on the basis of DRC**

<b>Property</b>	<b>Amount of valuations in existing state as at 31 May 2005</b> <i>HK\$</i>	<b>Interest attributable to the Group</b> <i>HK\$</i>	<b>Amount of valuations in existing state attributable to the Group as at 31 May 2005</b>
1. A factory complex located at Dalangwan Industry Zone Harbour Industry Zone Zhu Hai Guangdong Province The PRC	7,320,000	51 per cent.	3,733,200
<b>Sub-total:</b>	<b>HK\$7,320,000</b>		<b>HK\$3,733,200</b>

**Group II – Property held and to be developed by the Group in future under long-term title certificates in the PRC and valued on the basis of DRC**

<b>Property</b>	<b>Amount of valuations in existing state as at 31 May 2005</b> <i>HK\$</i>	<b>Interest attributable to the Group</b> <i>HK\$</i>	<b>Amount of valuations in existing state attributable to the Group as at 31 May 2005</b>
2. A parcel of vacant land adjacent to Property 1 as mentioned above located at Dalangwan Industry Zone Harbour Industry Zone Zhu Hai Guangdong Province The PRC	4,930,000 <i>(see Note below)</i>	51 per cent.	2,514,300 <i>(see Note below)</i>
<b>Sub-total:</b>	<b>HK\$4,930,000</b>		<b>HK\$2,514,300</b>

*Note:* The amount of valuation indicates the value of owner occupied property for financial statements purpose.

**Group III – Property held by the Group for investment in Hong Kong and valued on the basis of Market Value**

<b>Property</b>	<b>Amount of valuations in existing state as at 31 May 2005 HK\$</b>	<b>Interest attributable to the Group</b>	<b>Amount of valuations in existing state attributable to the Group as at 31 May 2005 HK\$</b>
3. Various flatted retail shops and 70 various office units and some ancillary areas of “1 Lyndhurst Tower” No. 1 Lyndhurst Terrace No. 78 Wellington Street Central Hong Kong	303,380,000	100 per cent.	303,380,000
<b>Sub-total:</b>	<u>HK\$303,380,000</u>		<u>HK\$303,380,000</u>
<b>Grand-total:</b>	<u><u>HK\$315,630,000</u></u>		<u><u>HK\$309,627,500</u></u>

## VALUATION CERTIFICATE

## Group I – Property held and occupied by the Group under long-term title certificates in the PRC and valued on the basis of DRC

Property	Description and tenure	Particulars of occupancy	Amount of valuations in existing state attributable to the Group as at 31 May 2005 <i>HK\$</i>
1. A factory complex located at Dalangwan Industry Zone Harbour Industry Zone Zhu Hai Guangdong Province The PRC	<p>The property comprises a parcel of land having a site area of approximately 12,961.6 sq.m. with 6 various major buildings and structures with a total gross floor area of approximately 3,742.5 sq.m. erected thereon. The buildings and structures include a 3-storey office, a single storey manufacturing workshop, a single storey warehouse and other single storey ancillary facilities completed in 2002.</p> <p>The property is subject to a right to use the land for a term commencing from 25 April 2002 to 24 April 2052 for industrial purpose.</p>	The property is currently occupied by the Group for manufacturing, warehouse, office and other supporting purposes.	<p>3,733,200 (51% interest) (see Note 5 below)</p>

*Notes:*

- The right to possess the land is held by the State and the right to use the land has been granted to Zhuhai S.E.Z. Rui Nong Plant Protection Technology Co., Ltd. (珠海經濟特區瑞農植保技術有限公司) (hereinafter referred to as 'Zhuhai Rui Nong') through a Contract for the Grant of State-owned Land Use Rights known as Zhu Guo Tu He Zi Lin Gang (2002) Di 01 Hao (珠海市國有土地使用權出讓合同書—珠國土合字臨港(2002)第01號) dated 28 January 2002. A parcel of land having a site area of approximately 12,961 sq.m. has been granted for industrial purpose at a land grant fee of RMB259,220 for a term of 50 years commencing from the date of issuance of the Planning Permit for Construction Usage Land.
- According to three various Realty Title Certificates known as Zhi Fang Di Zheng Zi (Lin Gang) 045A, 046A and 047A Hao (珠房地証字臨港 045A, 046A, 047A號) all dated 20 January 2003, the legally interested party in the land having a site area of approximately 12,961.6 sq.m. and 3 various buildings having a total gross floor area of approximately 3,562.50 sq.m. is Zhuhai Rui Nong for a term commencing of 50 years from 25 April 2002 to 24 April 2052 for warehouse, office and workshop purposes, respectively.

3. The area breakdown for the major buildings and structures is listed as follows:

	<b>Gross Floor Area</b> ( <i>sq.m.</i> )
(i) a single storey warehouse	813.75
(ii) a 3-storey office	1,485.50
(iii) a single storey manufacturing workshop	1,263.25
(iv) a single storey staff quarters	150
(v) a single storey guard room	20
(vi) a single storey store room	10

4. According to a loan agreement dated 2 June 2005, the property is subject to a loan of an amount of RMB1,000,000 in favour of Agricultural Bank of China of Zhuhai City, Zhuhai Harbour Branch. According to the loan agreement, the property can be assigned, leased or mortgaged subject to the approval of the bank within the validity period of the loan agreement.

5. Zhuhai Rui Nong is a foreign wholly owned enterprise established in the PRC, with a valid Enterprise Legal Person Business License known as Qi Du Yue Zhu Zong Fu Zi Di 003990 Hao (企業法人營業執照—企獨粵珠總副字第003990號) dated 10 December 1998 for operation from 10 December 1998 to 10 December 2048. According to the information provided by the management of the Company, Zhuhai Rui Nong is 51 per cent. indirectly owned by the Company.

6. According to the PRC legal opinion prepared by the Group's PRC legal adviser, 廣東中建合展律師事務所, the following opinions are noted:

- (i) Zhuhai Rui Nong has paid all the land premium;
- (ii) The property is pledged for a loan in favour of Agricultural Bank of China; and
- (iii) Zhuhai Rui Nong has obtained the right to use the land and its improvement legally. It has the rights to freely assign, lease, or mortgage (if the value of the property exceed the current loan amount) the property subject to the loan with Agricultural Bank of China.

**Group II – Property held and to be developed by the Group in future under long-term title certificates in the PRC and valued on the basis of DRC**

Property	Description and tenure	Particulars of occupancy	Amount of valuations in existing state attributable to the Group as at 31 May 2005 HK\$
2. A parcel of vacant land adjacent to Property 1 as mentioned above located at Dalangwan Industry Zone Harbour Industry Zone Zhu Hai Guangdong Province The PRC	The property comprises a parcel of vacant land having a site area of approximately 23,554.3 sq.m.  The property is subject to a right to use the land for a term of 50 years for industrial purpose. (see Note 1 below)	The property is currently under going site formation work.	2,514,300 (51% interest) (see Notes 7 and 9 below)

*Notes:*

1. The right to possess the land is held by the State and the right to use the land has been granted to Zhuhai S.E.Z. Rui Nong Plant Protection Technology Co., Ltd. (珠海經濟特區瑞農植保技術有限公司) (hereinafter referred to as 'Zhuhai Rui Nong') through a Contract for the Grant of State-owned Land Use Rights known as Zhu Guo Tu He Zi Lin Gang (2002) Di 24 Hao (珠海市國有土地使用權出讓合同書－珠國土合字臨港(2002)第24號) dated 11 November 2002. A parcel of land having a site area of approximately 23,554.3 sq.m. has been granted for industrial purpose at a land grant fee of RMB471,086 for a term of 50 years commencing from the date of issuance of the Planning Permit for Construction Usage Land.
2. According to a Planning Permit for Construction Usage Land dated 28 October 2002, Zhuhai Rui Nong was permitted to develop a parcel of land having a site area of approximately 23,554.3 sq.m. with a maximum plot ratio of 1 and a maximum site coverage of 35%.
3. According to a Permit for Construction Usage Land dated 5 November 2004, Zhuhai Rui Nong was permitted to develop a parcel of land having a site area of approximately 23,554.3 sq.m. within the period commencing from November 2004 and expiring on November 2006.
4. According to the information provided by the management of the Company, two various factory buildings of 2-storey in height and a single storey guard room will be erected on the land. Upon completion, the breakdowns of gross floor area for each building are as follows:

	Gross Floor Area (sq.m.)
(i) a 2-storey factory building 1	6,216.90
(ii) a 2-storey factory building 2	2,456.00
(iii) a single storey guard room	43.60
5. According to the information provided by the management of the Company, the estimated total construction cost upon completion is approximately HK\$9 million and the construction work is expected to be completed by June 2006.
6. In valuing the property, we have assumed that the Group will act in accordance and fully comply with the terms and conditions stipulated in the land grant contract and the Group has obtained a long-term title on the property.
7. Zhuhai Rui Nong is a foreign wholly owned enterprise established in the PRC with a valid Enterprise Legal Person Business License known as Qi Du Yue Zhu Zong Fu Zi Di 003990 Hao (企業法人營業執照－企獨粵珠總副字第003990號) dated 10 December 1998 for operation from 10 December 1998 to 10 December 2048. According to the information provided by the management of the Company, Zhuhai Rui Nong is 51 per cent. indirectly owned by the Company.

8. According to the PRC legal opinion prepared by the Group's PRC legal adviser, 廣東中建合展律師事務所, the following opinions are noted:
- (i) Zhuhai Rui Nong has paid all the land premium;
  - (ii) Zhuhai Rui Nong has not obtained the relevant state-owned Land Use Rights Certificate and Realty Title Certificate as the property is still under development; and
  - (iii) Zhuhai Rui Nong has obtained the right to use the land legally and it is the opinion of the PRC legal adviser that Zhuhai Rui Nong has the rights to dispose the property though it has not obtained the relevant title certificates.
9. Our valuation of the property indicates the value of owner occupied property for financial statement purpose. The amount of valuation indicates value of the property before development. By using DRC basis, estimated amount of valuation after development is HK\$13,930,000 (that is HK\$4,930,000 for land plus HK\$9,000,000 for buildings based on the estimated construction cost as provided by the management of the Company).



**Group III – Property held by the Group for investment in Hong Kong and valued on the basis of Market Value**

Property	Description and tenure	Particulars of occupancy	Amount of valuations in existing state attributable to the Group as at 31 May 2005 HK\$
3. Various flatted retail shops and 70 various office units and some ancillary areas of “1 Lyndhurst Tower” No. 1 Lyndhurst Terrace No. 78 Wellington Street Central Hong Kong (see Note 1 below for details)  16,279/19,748th shares of and in Inland Lot Nos. 3024, 3064, 3065, 3068, 3069 and the Remaining Portion of Inland Lot No. 3085	<p>The property comprises five various retail shops on the Ground, First, Second and Third Floors, 70 various office units (four office units on each of the Fourth, Fifth, Sixth, Seventh, Ninth, Tenth, Eleventh, Twelfth, Thirteenth, Fourteenth, Fifteenth, Sixteenth, Seventeenth, Eighteenth, Twentieth, Twenty-first and Twenty-second Floors and two office units on Eighth Floor), and a store room on the Ground Floor and various flat roofs on the First and Third Floors of a 24-storey commercial building which was completed in 1993.</p> <p>The property has a total gross floor area of approximately 87,836 sq. ft. (8,160.16 sq.m.) (excluding store room and flat roofs areas).</p> <p>The property is subject to six various Government Leases and each for a term of 75 years renewable for a further term of 75 years commencing from 15 May 1930.</p>	<p>Except Office Units 2, 3 and 4 on Ninth Floor and Office Unit 1 on Thirteenth Floor having a total gross floor area of approximately 4,005 sq. ft. are left vacant, and the Store Room on Ground Floor and Office Unit 4 on Eighteenth Floor are currently owner-occupied, the rest of the property having a total gross floor area of approximately 82,491 sq. ft. are subject to various tenancies with a total monthly rental income receivable of HK\$868,747 as at the date of valuation for retail and office purposes. (see Note 4 below for summary of the tenancy schedule)</p>	<p>303,380,000 (100 per cent.)</p>

*Notes:*

- The property comprises Shops 4 and 5 on Ground Floor, First Floor, Second Floor, Third Floor, Offices 1, 2, 3 and 4 on each of Fourth Floor, Fifth Floor, Sixth Floor, Seventh Floor, Ninth Floor, Tenth Floor, Eleventh Floor, Twelfth Floor, Thirteenth Floor, Fourteenth Floor, Fifteenth Floor, Sixteenth Floor, Seventeenth Floor, Eighteenth Floor, Twentieth Floor, Twenty-first Floor and Twenty-second Floor, Offices 1 and 4 on Eighth Floor, Flat Roof on First Floor, Flat Roofs 1, 2 and 3 on Third Floor, and Store room on Ground Floor of “1 Lyndhurst Tower”, No. 1 Lyndhurst Terrace, No. 78 Wellington Street, Central, Hong Kong.
- The registered owner of the property is China Faith Limited, an indirect wholly-owned subsidiary of the Company, vide two assignments both dated 22 February 2001 and registered in the Land Registry by Memorial Nos. 8348934 and 8348935 on 29 March 2001.
- The property is subject to a Mortgage dated 27 June 2002 in favour of the Bank of China (Hong Kong) Limited and registered in the Land Registry by Memorial No. 8731980 on 17 July 2002.

4. The property was subject to the following agreements as at the date of valuation:

<b>Unit</b>	<b>Tenant</b>	<b>Lease Term</b>	<b>Monthly Rent HK\$ (exclusive of rates, air-conditioning charges and management fee, unless otherwise specified)</b>
Retail Units 4 and 5 on Ground Floor	Star Chain Holdings Limited	3 years from 1 September 2002 to 31 August 2005 and renewed for a further term of 3 years to 31 August 2008 with 1 year break clause	35,000 (exclusive of rates but inclusive of air-conditioning and management fee)
1st Floor	Triple Investments Limited	5 years fixed term from 16 April 2003 to 15 April 2008 with an option to renew for a further term of five years at market rent	100,000 (till 15 April 2006)  110,000 (from 16 April 2006)
2nd and 3rd Floors	Gonway Limited	3 years from 20 October 2004 to 19 October 2007	160,000
Office Unit 1 on 4th Floor	Hutchison Telephone Company Limited	3 years from 10 June 2002 to 9 June 2005	14,664
Office Unit 2 on 4th Floor	Billion Fortune International Limited	2 years from 8 March 2004 to 7 March 2006	4,770
Office Unit 3 on 4th Floor	Tierra Enterprises Ltd.	Monthly Basis	7,000
Office Unit 4 on 4th Floor	Smartone Mobile Communications Limited	2 years from 1 December 2004 to 30 November 2006	14,000 (inclusive of rates, air-conditioning charges and management fee)
Office Unit 1 on 5th Floor	Richmond Travel Limited	2 years from 10 September 2003 to 9 September 2005	9,440
Office Units 2 to 4 on 5th Floor	Starz People (HK) Limited	2 years from 21 November 2004 to 20 November 2006	24,080
Office Unit 1 on 6th Floor	The Luxury Gift Company Limited	2 years from 2 January 2005 to 1 January 2007	12,980
Office Unit 2 on 6th Floor	Topchamp Technology Limited	Monthly Basis	5,962
Office Unit 3 on 6th Floor	Mita Travel Agency Limited	1 year from 16 July 2004 to 15 July 2005	6,165
Office Unit 4 on 6th Floor	Hong Kong CSL Limited	2 years from 1 September 2004 to 31 August 2006	12,000
Office Unit 1 on 7th Floor	Molecular Biology Limited	2 years from 18 August 2003 to 17 August 2005	9,440
Office Unit 2 on 7th Floor	Electrosonic Limited	2 years from 1 January 2005 to 31 December 2006	5,420

<b>Unit</b>	<b>Tenant</b>	<b>Lease Term</b>	<b>Monthly Rent HK\$ (exclusive of rates, air-conditioning charges and management fee, unless otherwise specified)</b>
Office Unit 3 on 7th Floor	Silver Crystal Limited	2 years from 1 December 2003 to 30 November 2005	6,165
Office Unit 4 on 7th Floor	Mason Laroche (HK) Limited	Monthly Basis	11,219.5
Office Unit 1 on 8th Floor	Lipsher, Andrew & Ho Consultancy Limited	2 years from 16 March 2004 to 15 March 2006	9,440
Office Unit 4 on 8th Floor	Wany Robotics Asia-Pacific Limited	2 years from 1 March 2004 to 28 February 2006	10,629
Office Unit 1 on 9th Floor	Mes Amis Productions Limited	1 year fixed term from 1 November 2004 to 31 October 2005 with one year extendible option to 31 October 2006	11,800
Office Unit 1 on 10th Floor	Comptel Communications OY	2 years from 7 August 2004 to 6 August 2006	10,620
Office Unit 2 on 10th Floor	Mak Kam Choi	1 year from 10 May 2005 to 9 May 2006 with one year extendible option to 9 May 2007	8,672
Office Unit 3 on 10th Floor	Good Joy Consultants Ltd.	2 years from 1 May 2004 to 30 April 2006	6,507.5
Office Unit 4 on 10th Floor	Zschimmer & Schwarz Chemicals Hong Kong Limited	Monthly Basis	11,810
Office Unit 1 on 11th Floor	MG Cellars Ltd.	2 years from 1 May 2004 to 30 April 2006	11,210
Office Units 2 and 3 on 11th Floor	Topwell International Trading Limited	1 year fixed term from 1 July 2003 to 30 June 2004 with one year extendible option to 30 June 2005 and renewed for a further term of fifteen months to 30 September 2006	11,043 (till 30 June 2005)  12,270 (from 1 July 2005)
Office Unit 4 on 11th Floor	Topwell International Trading Limited	2 years from 1 October 2004 to 30 September 2006	11,810
Office Unit 1 on 12th Floor	Fera Asia Pacific Limited	2 years from 28 June 2004 to 27 June 2006	10,620
Office Units 2, 3 and 4 on 12th Floor	Grantfit Company Limited	3 years from 1 September 2003 to 31 August 2006 with an option to renew for a further term of two years at market rent	18,200
Office Unit 2 on 13th Floor	Oliver's Travel Limited	1 year from 1 March 2005 to 28 February 2006 with one year extendible option to 28 February 2007	7,046

<b>Unit</b>	<b>Tenant</b>	<b>Lease Term</b>	<b>Monthly Rent HK\$ (exclusive of rates, air-conditioning charges and management fee, unless otherwise specified)</b>
Office Unit 3 on 13th Floor	Star Chain Holdings Limited	3 years from 1 October 2002 to 30 September 2005 and renewed for a further term of 3 years to 30 September 2008	9,000 (exclusive of rates but inclusive of air-conditioning and management fee)
Office Unit 4 on 13th Floor	Concord Continental Ltd.	2 years from 1 December 2003 to 30 November 2005	10,600
Office Unit 1 on 14th Floor	IPR Asia Internet Technology Ltd.	2 years from 16 February 2004 to 15 February 2006 with an option to terminate after 12 months	10,500
Office Unit 2 on 14th Floor	Tema Investment Limited	2 years from 15 October 2004 to 14 October 2006	5,420
Office Unit 3 on 14th Floor	Eldorado Capital Limited	1 year fixed term from 1 November 2003 to 31 October 2004 with one year extendible option to 31 October 2005	5,400
Office Unit 4 on 14th Floor	Hay Design Limited	2 years from 1 December 2004 to 30 November 2006	11,810
Office Units 1 and 2 on 15th Floor	Richtone Worldwide Limited	2 years from 1 March 2005 to 28 February 2007	18,942
Office Unit 3 on 15th Floor	Castle Asset Holdings Limited	2 years from 11 May 2005 to 10 May 2007	9,316
Office Unit 4 on 15th Floor	Michael Youssoufian Limited	3 years from 1 June 2003 to 31 May 2006	9,448
Office Unit 1 on 16th Floor	Yuen Cheong Sawmill Limited	2 years from 14 February 2004 to 13 February 2006	11,800
Office Unit 2 on 16th Floor	First Sino Development Limited	1 year from 9 August 2004 to 8 August 2005 with one year extendible to 8 August 2006	5,420
Office Unit 3 on 16th Floor	Orion Ventures Limited	2 years from 1 November 2004 to 31 October 2006	6,850
Office Unit 4 on 16th Floor	Union Eagle Limited	2 years from 15 October 2004 to 14 October 2006	11,810
Office Units 1, 2, 3 and 4 on 17th Floor	Uniross Batteries (HK) Limited	3 years from 16 June 2004 to 15 June 2007	32,292
Office Units 1, and 2 on 18th Floor	Coffee Partners Limited	1 year fixed term from 6 November 2004 to 5 November 2005 and one year flexible to 5 November 2006	17,220
Office Unit 3 on 18th Floor	Infowide Publication Limited	1 year fixed term from 1 June 2005 to 31 May 2006 with one year extendible option to 31 May 2007	8,905

<b>Unit</b>	<b>Tenant</b>	<b>Lease Term</b>	<b>Monthly Rent HK\$ (exclusive of rates, air-conditioning charges and management fee, unless otherwise specified)</b>
Office Units 1, 2, 3 and 4 on 20th Floor	Lavender Trading Limited	3 years from 1 November 2004 to 31 October 2007 with an option to terminate after two years	32,292
Office Unit 1 on 21st Floor	Fulljet Securities Limited	3 years from 1 July 2002 to 30 June 2005 and renewed for a further term of 2 years to 30 June 2007	13,140 (till 30 June 2005)  15,340 (from 1 July 2005)
Office Unit 2 on 21st Floor	Mason Laroche (HK) Limited	Monthly Basis	6,675
Office Units 3 and 4 on 21st Floor	Mason Laroche (HK) Limited	Monthly Basis	22,387
Office Units 1 and 2 on 22nd Floor	HR Business Solutions (Asia) Limited	1 year fixed term from 1 June 2004 to 31 May 2005 and one year flexible to 31 May 2006	14,637
Office Units 3 and 4 on 22nd Floor	Fairview Project Consultants Limited	2 years from 1 December 2004 to 30 November 2006 with an option to renew for a further term of two years at prevailing market rate	17,170
Office Units 2, 3 and 4 on 9th Floor, Office Unit 1 on 13th Floor	Vacant		
	<b>Total:</b>		<b>868,747</b>

## 1. RESPONSIBILITY STATEMENT

The information in this Composite Offer Document relating to the Group has been supplied by the Directors. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Offer Document (other than information relating to the Offeror, the terms and conditions of the Offer and the Offeror's intention regarding the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Offer Document (other than information relating to the Offeror, the terms and conditions of the Offer and the Offeror's intention regarding the Group) have been arrived at after due and careful consideration and there are no other facts (other than information relating to the Offeror, the terms and conditions of the Offer and the Offeror's intention regarding the Group) not contained in this Composite Offer Document, the omission of which would make any statement in this Composite Offer Document (other than information relating to the Offeror, the terms and conditions of the Offer and the Offeror's intention regarding the Group) misleading.

The information in this Composite Offer Document relating to the Offeror, the terms and conditions of the Offer and the Offeror's intentions regarding the Group have been supplied by the Offeror. The Offeror Director accepts full responsibility for the accuracy of the information contained in this Composite Offer Document (other than information relating to the Group and the Vendors) and confirms, having made all reasonable enquiries, that to the best of her knowledge, opinions expressed in this Composite Offer Document (other than information relating to the Group and the Vendors) have been arrived at after due and careful consideration and there are no other facts (other than information relating to the Group and the Vendors) not contained in this Composite Offer Document, the omission of which would make any statement in this Composite Offer Document (other than information relating to the Group and the Vendors) misleading.

## 2. SHARE CAPITAL OF THE COMPANY

### (a) *Authorised and issued share capital*

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

<i>Authorised:</i>	<i>HK\$</i>
421,978,000,000 Shares	2,109,890,000.00
22,000,000 Preference shares	110,000.00
<u>422,000,000,000</u>	<u>2,110,000,000.00</u>
<i>Issued and fully paid:</i>	
<u>238,389,133 Shares</u>	<u>1,191,945.67</u>

As at the Latest Practicable Date, no new Shares have been issued by the Company since 31 December 2004 (being the date to which its latest published audited accounts were prepared). All of the Shares currently in issue rank pari passu in all respects with each other, including, in particular, as to dividends, voting rights and capital.

Save as disclosed above, the Company does not have any outstanding warrants or share options or other securities carrying rights of conversion into or exchange or subscription for Shares.

(b) *Listing*

The Shares are listed and traded on the Main Board of the Stock Exchange. No part of the issued share capital of the Company is listed or dealt in, nor is any listing of or permission to deal in the Shares being or proposed to be sought on, any other stock exchange.

**3. DISCLOSURE OF INTERESTS**

**(a) Disclosure of interests by the Directors**

As at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which they were deemed or taken to have under such provisions of the SFO, or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

**(b) Shares held by the Offeror**

As at the Latest Practicable Date, the Offeror and parties acting in concert with it owned 130,108,400 Shares.

Save as disclosed above, there were no other securities of the Company being held by the Offeror, its directors and parties acting in concert with it as at the Latest Practicable Date.

**(c) Service contracts**

None of the Directors has any existing or proposed service contract with any member of the Group or any associated company of the Company which has more than 12 months to run nor has any of the Directors entered into or amended any service contract with any member of the Group or any associated company of the Company within the Relevant Period.

**(d) Other interests**

As at the Latest Practicable Date,

- (a) neither the Company nor any of the Directors held any interest in the securities of the Offeror;
- (b) no subsidiary or associate of the Company, or any pension fund of the Company or of any member of the Group owned or controlled any securities in the Company;

- (c) none of the professional advisers named under the section headed “Consents” in this Appendix or any adviser to the Company as specified in class (2) of the definition of associate under the Takeovers Code owned or controlled any securities of the Company;
- (d) no shareholdings in the Company were managed on discretionary basis by fund managers connected with the Company;
- (e) there was no arrangement of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code between the Offeror or any person acting in concert with the Offeror and any other person;
- (f) no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror or an associate of the Offeror or any party acting in concert with it and any other person, had any interest in any securities of the Company; and
- (g) no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) or (4) of the definition of associate under the Takeovers Code and any other person had any interest in any securities of the Company.

#### 4. DEALINGS IN SECURITIES

Save for the sale and purchase of the Sale Shares under the S&P Agreements, during the Relevant Period,

- (a) none of the Offeror nor parties acting in concert with it had dealt for value in any securities of the Company;
- (b) the Offeror Director had not dealt for value in any securities of the Company;
- (c) Hai Xia Finance Limited had not dealt for value in any securities of the Company;
- (d) neither the Company nor any of its Directors dealt for value in the securities of the Offeror or the Company;
- (e) no subsidiary of the Company, nor any pension fund of the Company or any of its subsidiaries, nor any of the professional advisers named under the section headed “Consents” in this Appendix nor any adviser to the Company as specified in class (2) of the definition of associate under the Takeovers Code had dealt for value in any securities in the Company;



- (f) no persons who had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code had dealt for value in any securities in the Company;
- (g) no persons who had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror or with any persons acting in concert with it had dealt for value in any securities in the Company; and
- (h) no fund managers (other than exempted fund managers) who managed funds on a discretionary basis or connected with the Company had dealt for value in any securities in the Company.

## 5. MARKET PRICES

- (a) The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK\$0.56 per Share recorded from 16 March 2005 to 18 March 2005, and HK\$0.26 per Share recorded from 6 December 2004 to 28 December 2004, respectively.
- (b) The table below sets out the closing prices of the Shares as quoted on the Stock Exchange on the last trading day of each of the six calendar months immediately preceding the date of the Joint Announcement on which trading of the Shares took place:–

	<b>Closing price (HK\$)</b>
31 December 2004	0.27
31 January 2005	0.35
28 February 2005	0.47
31 March 2005	0.48
29 April 2005	0.39
31 May 2005	0.38

- (c) The closing price of the Shares as quoted on the Stock Exchange on 3 June 2005 being the last trading day on which the Shares were traded before the suspension of trading at 9:30 a.m. on 6 June 2005 at the request of the Company was HK\$0.43 per Share.
- (d) The closing price of the Shares in the Company as quoted on the Stock Exchange on the Latest Practicable Date was HK\$0.495 per Share.

## 6. LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation or arbitration of material importance and there is no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group.

## 7. MATERIAL CONTRACTS

In the two years immediately preceding the date of the Joint Announcement and up to the Latest Practicable Date, the following contracts, not being contracts entered into in the ordinary course of business, were entered into by the Company or its subsidiaries, that are or may be material:

- (a) On 4 September 2003, the Company entered into a subscription agreement with Suntek Corp. for the subscription of 27,598,000 Shares at a subscription price of HK\$0.221 per Share. A summary of the terms of the subscription agreement is set out in an announcement of the Company dated 8 September 2003.
- (b) On 8 December 2003, the Company entered into a subscription agreement with Billion Charm Holdings Limited for the subscription of 33,100,000 Shares at a subscription price of HK\$0.231 per Share. A summary of the terms of the subscription agreement is set out in an announcement of the Company dated 9 December 2003.
- (c) On 27 February 2004, the Company entered into a sale and purchase agreement pursuant to which the Company agreed to acquire 51% equity interest in Lucky Green Limited from Mr. Xie Zhong and Ms. Xu Wei Xiu at a consideration of HK\$30,000,000. A summary of the terms of the agreement is set out in an announcement of the Company dated 1 March 2004.
- (d) On 26 March 2004, the Company entered into a sale and purchase agreement pursuant to which the Company agreed to sell the 100% equity interest and the shareholder's loan in China Faith Limited to Go Wisdom Limited at a total consideration of HK\$28,012,353.55. On 19 April 2004, the Company entered into a termination agreement with Go Wisdom Limited to terminate the aforesaid transaction. A summary of the terms of the sale and purchase agreement and the termination agreement is set out in an announcement of the Company dated 22 April 2004.
- (e) On 28 April 2004, the Company entered into a subscription agreement with Mr. Kan Che Kin, Billy Albert for the subscription of 39,700,000 Shares at a subscription price of HK\$0.2898 per Share. A summary of the terms of the subscription agreement is set out in an announcement of the Company dated 30 April 2004.
- (f) On 23 March 2005, a supplemental agreement was entered into among the Company, Mr. Xie Zhong and Ms. Xu Wei Xiu to revise the total consideration payable for the acquisition of Lucky Green Limited from HK\$30,000,000 to HK\$5,000,000 as announced by the Company dated 1 March 2004. A summary of the terms of the supplemental agreement is set out in an announcement of the Company dated 23 March 2005.

**8. CONSENTS**

Each of Partners Capital, Altus Capital, TIS Securities, Deloitte Touche Tohmatsu and LCH (Asia-Pacific) Surveyors Limited has given and has not withdrawn its written consent to the issue of this Composite Offer Document with the inclusion herein of its letter and/or references to its name, in the form and context in which they respectively appear.

**9. QUALIFICATIONS**

The following are the qualifications of the experts who have given opinions or advice which are contained or referred to in this Composite Offer Document:

<b>Name</b>	<b>Qualification</b>
Partners Capital	A licensed corporation to carry on types 1 and 6 regulated activities (dealing in securities and advising on corporate finance) under the SFO
Altus Capital	A licensed corporation to carry out business in type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance), and type 9 (asset management) regulated activities under the SFO
TIS Securities	A licensed corporation to carry out business in type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), and type 6 (advising on corporate finance) regulated activities under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants
LCH (Asia-Pacific) Surveyors Limited	Chartered Surveyors

**10. GENERAL**

- (a) As at the Latest Practicable Date, no benefit (other than statutory compensation) would be given to any Director as compensation for loss of office or otherwise in connection with the Offer.
- (b) As at the Latest Practicable Date, there is no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror or any person acting in concert with it and any Directors, recent Directors, Shareholders or recent Shareholders having any connection with or was dependent upon the outcome of the Offer or otherwise connected therewith.
- (c) As at the Latest Practicable Date, there is no agreement or arrangement between any of the Directors and any other person which is conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer.

- (d) As at the Latest Practicable Date, there is no material contract to which the Offeror is a party in which any Director has a material personal interest.
- (e) The English text of this Composite Offer Document and the accompanying Form of Acceptance shall prevail over the Chinese text in case of inconsistency.
- (f) The registered office of the Offeror is at PO Box 957, Offshore Incorporations Centre, Road Town, Tortola, the British Virgin Islands.
- (g) The sole director of the Offeror is Ms. Ma.
- (h) The registered office of Partners Capital, who is making the Offer on behalf of the Offeror, is at Room 1305, 13th Floor, 9 Queen's Road Central, Hong Kong.
- (i) The registered address of Altus Capital, one of the joint independent financial advisers to the Independent Board Committee, is at 8/F, Hong Kong Diamond Exchange Bldg, 8 Duddell Street, Central, Hong Kong.
- (j) The registered address of TIS Securities, one of the joint independent financial advisers to the Independent Board Committee, is at Unit 1010, 10/F, Tower Two Lippo Centre, 89 Queensway, Hong Kong.

#### 11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during 9:00 a.m. to 5:00 p.m. at the office of Michael Li & Co. at 14/F, Printing House, 6 Duddell Street, Central, Hong Kong while the Offer remains open:

- (a) the memorandum of association and the bye-laws of the Company;
- (b) the annual reports of the Company for the two years ended 31st December 2004;
- (c) the S&P Agreements;
- (d) the letter from Partners Capital as set out on pages 11 to 23 of this Composite Offer Document;
- (e) the letter from the Independent Board Committee as set out on pages 24 to 25 of this Composite Offer Document;
- (f) the joint letter from Altus Capital and TIS Securities to the Independent Board Committee in relation to the Offer as set out on pages 26 to 43 of this Composite Offer Document;
- (g) the written consents from the experts referred to in the paragraph headed "Consents" in this Appendix;

- (h) the valuation report provided by LCH (Asia-Pacific) Surveyors Limited, the text of which is set out in Appendix III to this Composite Offer Document;
- (i) the material contracts referred to in the paragraph headed “Material Contracts” in this Appendix; and
- (j) the letter of irrevocable undertaking to reject the Offer from Hai Xia Finance Limited.