

The following is the text of the letter with summary of values and valuation certificate received from LCH (Asia-Pacific) Surveyors Limited, an independent property valuer, in connection with its valuations as at 31st December, 2001 of the property interests of the Group, prepared for the purpose of inclusion in this prospectus.



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

Room 1506
Vicwood Plaza
199 Des Voeux Road Central
Sheung Wan
Hong Kong

25th March, 2002

The Directors
Kenfair International (Holdings) Limited
Suite 2803, Tower 6
The Gateway
Harbour City
No. 9 Canton Road
Tsim Sha Tsui
Kowloon
Hong Kong

Dear Sirs,

In accordance with your instructions to value the property interests of Kenfair International (Holdings) Limited (referred to as the “Company”) and its subsidiaries (together referred to as the “Group”) in Hong Kong and in the PRC for the purpose of incorporation in a public listing prospectus, we confirm that we have conducted physical inspections, made relevant enquiries and searches, and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the values of the property interests as at 31st December, 2001 (referred to as the “date of valuation”).

Our valuations are on the basis of open market value which we define as “an opinion of the best price at which the sale of an interest in property would have been completed unconditionally for cash consideration on the date of valuation, assuming:

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

Our valuations of the properties in Group I have been made on the assumption that the owner sells the property interests on the open market in their existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which would serve to increase the values of the property interests.

Under Section 6 of the New Territories Leases (Extension) Ordinance 1988 (Chapter 150 of the Laws of Hong Kong), the lease term of the Government Lease of Property 1 of Group I had already been extended without premium until 30th June, 2047, and that annual rent at 3 per cent. of the rateable value of the property has been charged from the date of extension.

Unless otherwise stated, the property interests have been valued on an open market basis assuming sale with vacant possession by reference to comparable market transactions. This approach rests on the wide acceptance of market price as the best indicator of value and pre-supposes that evidence of recent transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

The property interests in Group II and Group III are rented by the Group in Hong Kong and in the PRC, respectively, and have no commercial value due mainly to the short term nature of the tenancy agreement or prohibition against assignment or sub-letting or lack of substantial profit rents.

We have relied to a considerable extent on the information provided by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, occupation, lettings, rentals, and site and floor areas.

We have not been provided with copies of the title documents relating to the property interests in Group I but have caused searches to be made at the Land Registry regarding the property interests in Hong Kong. We have only been provided with copies of the lease documents relating to the rented properties and have caused searches to be made at the Land Registry in respect of the rented property in Hong Kong. However, we have not searched the original documents to verify ownership or to verify any lease amendment which may not appear on the copies handed to us. We have made reference to the legal opinion on the tenancy agreement relating to the property in Group III given by the Group's PRC legal adviser in respect of the Group's title to this property. We are not in a position to advise on matters of law, and have relied on that legal opinion. All documents and leases have been used as reference only.

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 required 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 advise upon the condition of uninspected parts and this 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 inspection 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 defects. No tests were carried out to any of the services.

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

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 subject 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 subject properties. We have not carried out any investigation into past or present uses, either of the subject properties or of any neighbouring land, to establish whether there is any contamination or potential for contamination to the subject 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 subject 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.

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

To the best of our knowledge and after necessary enquiries, all data set forth in this 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 this valuation certificate.

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

No responsibility is taken for changes in market conditions and no obligation is assumed to revise this valuation certificate to reflect events or conditions which occur subsequent to the date hereof.

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

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. 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.

This valuation certificate is prepared in line with the ethics and guidelines as contained in the RICS Appraisal and Valuation Manual published by the Royal Institution of Chartered Surveyors and the Guidance Notes on the Valuation of Property Assets published by the Hong Kong Institute of Surveyors. The valuations have been undertaken by valuers, acting as external valuers, qualified for the purpose of the valuations.

Unless otherwise stated, all monetary amounts stated are in Hong Kong dollars.

Our valuations are summarized 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. MRICS
Managing Director

Elsa Ng Hung Mui

B.Sc. MRICS AHKIS RPS (GP)
Senior Manager

Notes:

1. Mr. Joseph Ho Chin Choi has been conducting asset valuations and advisory work in Hong Kong, Macau, mainland China, South East Asia, Finland, Canada and the United States of America for various purposes since 1988.
2. Ms. Elsa Ng Hung Mui is a Registered Professional Surveyor who has over six years of experience in valuing properties in Hong Kong.

SUMMARY OF VALUES

Group I – Properties owned and occupied by the Group in Hong Kong

Property	Interest attributable to the Group	Capital value in its existing state attributable to the Group as at 31st December, 2001 <i>HK\$</i>
1. Unit 05 on 20th Floor Nanyang Plaza No. 57 Hung To Road Kwun Tong Kowloon Hong Kong	100 per cent.	3,800,000
2. Flat B on 12th Floor and Car Parking Space Nos. 10 and 11 on Lower Ground Floor Hong Villa No. 12 Bowen Road Mid-levels Hong Kong	100 per cent.	13,000,000
	Sub-total:	16,800,000

Group II – Property rented by the Group in Hong Kong

1. Suites 2803-08 and Suite 2809 on 28th Floor Tower 6, The Gateway, Harbour City No. 9 Canton Road Tsim Sha Tsui Kowloon Hong Kong	100 per cent.	No commercial value
	Sub-total:	Nil

Group III – Property rented by the Group in the PRC

Property	Interest attributable to the Group	Capital value in its existing state attributable to the Group as at 31st December, 2001 <i>HK\$</i>
1. Units 3, 5, 6 and 7 on Level 30 Lippo Plaza No. 222 Huai Hai Zhong Road Lu Wan District Shanghai the PRC	100 per cent.	No commercial value
	Sub-total:	<hr/> Nil <hr/>
	Grand total:	<hr/> HK\$16,800,000 <hr/> <hr/>

VALUATION CERTIFICATE

Group I – Properties owned and occupied by the Group in Hong Kong

Property	Description and tenure	Particulars of occupancy	Capital value in its existing state attributable to the Group as at 31st December, 2001 HK\$
1. Unit 05 on 20th Floor Nanyang Plaza No. 57 Hung To Road Kwun Tong Kowloon Hong Kong	The property comprises a workshop/office unit on the 20th Floor of a 31-storey (including carparking, loading and unloading facilities) industrial/office building which was completed in 1995.	The property is currently vacant.	3,800,000 (100 per cent.)
33/6,624th shares of and in Kun Tong Inland Lot No. 46	The property has a gross floor area of approximately 2,765 sq.ft. (256.9 sq.m.) and a saleable area of approximately 1,991 sq.ft. (185 sq.m.). Under Section 6 of the New Territories Leases (Extension) Ordinance 1988, the lease term of the Government Lease was extended to 30th June 2047 at a Government Rent of 3 per cent. of the rateable value for the time being of the property. The current Government Rent payable is HK\$8,280 per annum for the property.		

Notes:

- The registered owner of the property is Polonius Company Limited vide Assignment registered in the Land Registry by Memorial no. 6706024 and dated 8th July, 1996.
- The property is under mortgage by a Legal Charge registered in the Land Registry by Memorial no. 6706025 and dated 8th July, 1996 in favour of Sin Hua Bank Limited (now known as Bank of China (Hong Kong) Limited by virtue of the Bank of China (Hong Kong) Limited (Merger) Ordinance (Chapter 1167 of the Laws of Hong Kong)) to secure general banking facilities.

Property	Description and tenure	Particulars of occupancy	Capital value in its existing state attributable to the Group as at 31st December, 2001 HK\$
2. Flat B on 12th Floor and Car Parking Space Nos. 10 and 11 on Lower Ground Floor Hong Villa No. 12 Bowen Road Mid-levels Hong Kong	The property comprises a residential unit on the 12th Floor and two covered private car parking spaces on the Lower Ground Floor of a 28-storey (including one storey duplex unit) residential building plus 4 levels of car park which was completed in 1988.	The property is currently occupied by the Group as a director's residence.	13,000,000 (100 per cent.)
7/368th shares of and in Inland Lot No. 2232 and the extension thereto	The property has a gross floor area of approximately 1,916 sq.ft. (178 sq.m.) and a saleable area of approximately 1,605 sq.ft. (149.1 sq.m.) with a bay window area of approximately 19 sq.ft. (1.8 sq.m.).	The property is subject to a Government Lease for a term of 75 years from 21st May, 1917 and renewable for a further term of 75 years.	
	The current Government Rent payable is HK\$13,752 per annum for the property.		

Notes:

1. The registered owner of the property is Kenfair International Limited vide Assignment registered in the Land Registry by Memorial no. 8302660 and dated 12th January, 2001.
2. The property is under mortgage by a Legal Charge registered in the Land Registry by Memorial no. 8338785 and dated 23rd February, 2001 in favour of Sin Hua Bank Limited (now known as Bank of China (Hong Kong) Limited by virtue of the Bank of China (Hong Kong) Limited (Merger) Ordinance (Chapter 1167 of the Laws of Hong Kong)) to secure general banking facilities.

Group II – Property rented by the Group in Hong Kong

Property	Description and occupancy	Capital value in its existing state attributable to the Group as at 31st December, 2001 HK\$
1. Suites 2803-08 and Suite 2809 on 28th Floor Tower 6, The Gateway Harbour City No. 9 Canton Road Tsim Sha Tsui Kowloon Hong Kong	<p>The property comprises total seven office units on the 28th Floor of a 32-storey office building erected on a 3-storey shopping arcade (excluding basement and mezzanine floor) which was completed in 1999.</p> <p>The total lettable area of the property is approximately 13,256 sq.ft. (1,231.5 sq.m.).</p> <p>Suites 2803-08 of the property are rented to the Group for a term of 3 years from 1st November, 2001 to 31st October, 2004 at a monthly rental of HK\$316,602 exclusive of rates, service charge and air-conditioning charge.</p> <p>Suite 2809 of the property is rented to the Group from 17th November, 2001 to 31st October, 2004 at a monthly rental of HK\$32,130 exclusive of rates, service charge and air-conditioning charge.</p> <p>The partition wall between Suites 2803-08 and Suite 2809 was demolished to form a single unit. Consent from the Landlord had been granted.</p> <p>The property is currently occupied by the Group as an office.</p>	No commercial value

Note: The tenant is Kenfair International Limited. Consent from the Landlord for sharing the property between Kenfair International Limited and the Group had been granted.

Group III – Property rented by the Group in the PRC

Property	Description and occupancy	Capital value in its existing state attributable to the Group as at 31st December, 2001 HK\$
1. Units 3, 5, 6 and 7 on Level 30 Lippo Plaza No. 222 Huai Hai Zhong Road Lu Wan District Shanghai the PRC	<p>The property comprises four office units on Level 30 of a 35-storey commercial/office building plus 3 levels of basement which was completed in 1999.</p> <p>The lettable area of the property is approximately 326.33 sq.m.</p> <p>The property is rented to the Group for a renewal term of 2 years from 16th February, 2002 to 15th February, 2004 at a monthly rental of US\$6,551.03 exclusive of services charges and management fee.</p> <p>The property is currently occupied by the Group as an office.</p>	No commercial value

Note: The tenant is Kenfair International Limited Shanghai Representative Office.