



American Appraisal Hongkong Limited

Grandtop International Holdings Limited
Room 1110, 11th Floor,
Lippo Sun Plaza,
28 Canton Road, Tsim Sha Tsui,
Kowloon

30th October, 2002

Dear Sirs,

In accordance with your instructions, we have made an appraisal of the fair market value of the 100% interest in a number of categories of textile quotas (“the Quotas”) owned by Sun Tai Hing Garment Making Co. Ltd. (“Sun Tai Hing”). The Quotas relates to the export of restrained textiles to the United States. Grandtop International Holdings Limited (the “Company”) is the indirect holding company of Sun Tai Hing.

This letter identifies the property appraised, describes the basis of valuation and assumptions, explains the valuation methodology utilized, and presents our conclusion of value. Excluded from this appraisal are all real estate property, machinery, equipment, suppliers, stocks, spare parts, materials on hand, computer software, inventories, or any current liabilities that may exist.

Fair market value is defined as the estimated amount at which the property might be expected to exchange between a willing buyer and a willing seller, neither being under compulsion, each having reasonable knowledge of all relevant facts.

The purpose of this appraisal is to express an independent opinion of the fair market value of a 100% interest in the Quotas as of 31st May, 2002. It is our understanding that this appraisal is to be used for initial public offer (IPO) purposes.

INTRODUCTION

The Quotas are for export of restrained textiles to the United States for the period of 1st January, 2002 to 31st December, 2002. The breakdown of the Quotas is listed below:

Category no.	Unit	Quantity
219	Sq.M	1,815
237	Doz	573
333/334	Doz	286
335	Doz	1,735
338/339	Doz	1,723
338/339(1)	Doz	7,602
340	Doz	807
341	Doz	1,550
342	Doz	133
347	Doz	10,265
348	Doz	5,823
351	Doz	7,616
352	Doz	22,010
633/634	Doz	727
635	Doz	3,659
638/639	Doz	10,281
640	Doz	541
641	Doz	533
642	Doz	49
645/646	Doz	1,095
647	Doz	4,401
648	Doz	11,245
651	Doz	101
652	Doz	15,209
659(2)	Kg	1,326

According to the Notice to Exporters of Trade and Industry Department, which sets out the principles of quota allocation and control arrangements for 2002 in respect of exports of textiles and clothing products from Hong Kong to the United States, a quota holder which used 98% or more of its 2001 quota holdings in a category will be offered an allocation equal to 100% of its 2001 quota holdings in the category concerned in 2002.

BASIS OF VALUATION AND ASSUMPTIONS

We have appraised the Quotas on the basis of fair market value. *Fair market value* is defined as the estimated amount at which the appraised property might be expected to exchange between a willing buyer and a willing seller, neither being under compulsion, each having reasonable knowledge of all relevant facts.

Our investigation included discussions with the management of the Company in relation to the nature and usage of the Quotas, a study of the trading prices of the Quotas and other related documents and information. We have assumed that the data we obtained in the due course of this valuation as well as the information, opinions and representation provided to us by the Company are true and accurate.

The major assumptions adopted in this appraisal are:

- the Quotas will be fully renewed and allocated to Sun Tai Hing in 2003 and 2004;
- in 2003 and 2004, the Quotas can be sold at the prices same as the market prices on 31st May, 2002.

VALUATION METHODOLOGY

The fair market value of the Quotas has been developed through the application of income approach technique known as the discounted cash flow method.

Income Approach

In this method, value depends on the present worth of future economic benefits to be derived from ownership of the Quotas. Thus, an indication of value is established by discounting future free cash flows available for distribution to their present worth at a market-derived rate of return appropriate for the risks and hazards of the Quotas.

A discount rate is the expected rate of return that an investor would have to give up by investing in the subject investment instead of in available alternative investments that are comparable in terms of risk and other investment characteristics. When developing a discount rate to apply to the free cash flows from operation, the discount rate is the weighted average of the cost of debt and the cost of equity based on the assumed relative proportion of each in its capital structure devised from comparable companies.

The cost of equity of the Quotas was developed through the application of the Capital Asset Pricing Model (“CAPM”) on listed comparative companies in Hong Kong. CAPM states that the cost of equity is the risk-free rate plus a linear function of a measure of systematic risk (“Beta”) times equity market premium in general. Beta was computed by regressing returns on a comparable security on returns for the market index.

We were furnished, for the purpose of this appraisal, with data, documents and other information related to the Quotas. In arriving at our opinion of value, we have relied upon such data, documents and information, as well as financial and business information from other sources and we are not aware of any fact or circumstance which indicates that such data, documents and information are untrue or unreasonable.

CONCLUSION OF VALUE

Based upon the investigation and analysis outlined above and on the appraisal method employed, it is our opinion that as of 31st May, 2002, the fair market value of 100% interest in the Quotas is reasonably stated by the amount of HONG KONG DOLLARS TWENTY MILLION SIX HUNDRED SEVENTEEN THOUSAND TWO HUNDRED AND SEVENTY SIX (HK\$20,617,276) only.

This conclusion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

We have not investigated the title to or any liabilities against the property appraised.

We hereby certify that we have neither present nor prospective interests in Sun Tai Hing or the value reported.

Respectfully submitted,
For and on behalf of
AMERICAN APPRAISAL HONGKONG LIMITED
James Kwok
Vice President