

REVIEW OF EXISTING PORTFOLIO

China Property Development (Holdings) Limited ("CPDH") – the Pacific Town Project

The Pacific Town Project has completed its Phase I resettlement work in the first half year of 2004, and has commenced the construction work of Building A1 and Phase I underground car park in early June 2004. The excavation, earth retaining and dewatering work was completed in mid July 2004 despite heavy rainfall in Beijing during the period. The foundation of Building A1 will be completed in September 2004 and the entire engineering work of Phase I is expected to be completed by the end of 2005.

The management company of the Pacific Town Project has affirmed Richmond Park as the project title for marketing purposes. During the soft sale period, over 100 clients expressed interests and made deposits for subscription.

The Phase I of the Pacific Town Project comprises 80,000 square metres of 410 high-end residential apartment units. All apartment units will be fully fitted to a luxury standard, over 90% of the apartments are south facing and with river view. Official pre-sale was launched on 28th August 2004, over 5% of the units were sold within the first day. The average price of the apartments was RMB9,300 per square metre during the soft sale period. The price was increased more than 10% when the property officially opened for pre-sale. The Project received overwhelming response from the public and gained popularity among the local media.

With the construction work of Phase I in progress, the management of the Project has started preparation for the Phase II project of another 80,000 square metres of residential apartments. The resettlement work on the phase II land is scheduled to start in early September 2004.

Sun Star City (Taiyanggong Zone F Project) (the “TYG Zone F Project”)

In year 2002, the government of Chaoyang District announced its plan to invest RMB7 billion to develop the Taiyanggong new district. The district is planned as a high quality residential community with comprehensive facilities to be completed in 2005. The total land area amounts to 3 million square meters, among which 1.58 million square meters will be for residential housing development. The district will be divided into seven zones, from zone A to zone G. Taiyanggong Park Phase I have been built with a total area of 100,000 square meters. In proximity to the park is an 18-hole golf course. River Ba runs across the district, adding to the natural landscape of the urban location.

The TYG Zone F Project, also known as Sun Star City, is a 413,000 square meters residential development project targeting the middle sector. It locates between northeast Third and Fourth Ring Road in Beijing. It is only 2 km from Yansa Business District, 5 km from the Central business District, and 10 km from Beijing International Airport.

The Project is targeting the middle market with property units from 80 square meters to 150 square metres in size. The pre-sale launched in August 2003 received excellent result with over 90% of the apartments sold within the first 6 months. The phase I apartments were priced at an average price of RMB6,500 per square meter for core apartments without fittings. The project company is actively preparing to start work for the phase II project. Pre-sale of Phase II has started in June 2004. Out of the 684 units launched for pre-sale, 180 units were sold within the first month.

Beijing Far East Instrument Co., Ltd. (“Far East”)

Turnover of Far East in the first half year of 2004 has increased by 19% as compared to the same period in last year. However, Beijing Rosemount Far East Instrument Co. Ltd. (“Beijing Rosemount”), Far East’s joint venture with Rosemount Inc. suffered a loss in the first half of 2004, its sales price decreased by 5% whereas the cost of production increased by 7%. The sales of the imported items also produced a gross loss of RMB2.34 million. The operation of Beijing Rosemount had an impact on the results of Far East.

Due to the change of products produced by Far East, the Product 1751 and FSSS have become obsolete inventories. As a result, a provision of inventories over 2 years has been made which largely reduces the net assets of Far East. The Investment Manager will discuss with the management of Far East, to work out the future business plan of Far East, and to make improvement on future inventory control.