

1366078

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt about the contents of this document or the action to be taken you should immediately consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised pursuant to the Financial Services Act 1986.

A copy of this document, which comprises a prospectus relating to the Company prepared in accordance with the listing rules made under Section 142 of the Financial Services Act 1986, has been delivered to the Registrar of Companies in England and Wales for registration as required by Section 149 of that Act.

If you have sold or otherwise transferred all of your Ordinary Shares (other than ex-rights) and/or Warrants please forward this document and the accompanying form of proxy to the stockbroker, bank or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee. Otherwise this document should be retained for reference pending receipt of a Provisional Allotment Letter.

Application has been made to the London Stock Exchange for the new Ordinary Shares being issued to be admitted to the Official List. It is expected that the new Ordinary Shares will be admitted to the Official List and that dealings in those shares, nil paid, will commence on 4 August, 1997.

The Directors of the Company, whose names appear on page 5 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Deloitte & Touche is authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business. Deloitte & Touche Corporate Finance, a division of Deloitte & Touche, is acting for Golden Land Investments PLC as Financial Adviser and Sponsor in connection with the Acquisitions, the Rights Issue and the preparation and distribution of this document. Deloitte & Touche Corporate Finance will not be responsible to anyone other than Golden Land Investments for providing the protection afforded to clients of Deloitte & Touche Corporate Finance nor for providing advice in relation to the Acquisitions, Rights Issue, the contents of this document or any transaction or arrangement referred to herein.



## **GOLDEN LAND INVESTMENTS PLC**

*(Incorporated and registered in England under  
the Companies Acts 1948 to 1976 with registered No 1366078)*

**Proposed Acquisitions of interests in  
Goldline Properties Limited, Jade Champion Worldwide Inc.  
and Wealth Enterprises Limited  
and  
associated Rights Issue on a  
20 for 17 basis of up to  
38,499,158 new Ordinary Shares at 21p per share**

The new Ordinary Shares will, when fully paid on Admission, rank *pari passu* in all respects with the existing Ordinary Shares of the Company including the right to receive all dividends and other distributions declared, made or paid after the date of this document.

The latest time for acceptance and payment in full for the new Ordinary Shares is expected to be 3:00 p.m. on 22 August, 1997. The procedure for acceptance and payment is set out in Part II of this document and further details are set out in the Provisional Allotment Letter which is expected to be despatched to Qualifying Shareholders on 1 August, 1997 or such later date as the Company and Fiske & Co. Ltd. may agree.

Notice convening an Extraordinary General Meeting of the Company to be held at Foxglove House, 166 Piccadilly, London W1V 9DE on 1 August, 1997, at 11:35 a.m., is set out at the end of this document. A form of proxy for use at the meeting is enclosed and should be completed in accordance with the instructions thereon and returned as soon as possible to the Company's Registrars. To be valid, the form of proxy must arrive no later than 11:35 a.m. on 30 July, 1997 or 48 hours before any adjournment of the meeting.

The new Ordinary Shares have not been and will not be registered under the United States Securities Act of 1933 (as amended) or under the securities laws of Canada, Australia or the Republic of Ireland and, subject to certain exceptions, may not be offered or sold within the United States, Canada, Australia or the Republic of Ireland.

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“Hongkong Bank”	The Hongkong and Shanghai Banking Corporation Limited
“Jade Champion”	Jade Champion Worldwide Inc., a subsidiary of Gold-Face Investment
“Listing Rules”	the Listing Rules of the London Stock Exchange
“London Stock Exchange”	the London Stock Exchange Limited
“new Ordinary Shares”	the 38,499,158 new Ordinary Shares to be issued pursuant to the Rights Issue
“Official List”	the Official List of the London Stock Exchange
“Ordinary Shares”	Ordinary Shares of 10p each in the capital of the Company
“PRC” or “China”	The People’s Republic of China
“Provisional Allotment Letter(s)”	the renounceable provisional allotment letter(s) expected to be despatched to Qualifying Shareholders (other than certain overseas shareholders) by the Company pursuant to the Rights Issue
“Qualifying Shareholders”	holders of Ordinary Shares as at the Record Date
“Quest Gold”	Quest Gold Limited
“Record Date”	28 July, 1997
“Rights Issue”	the proposed issue of up to 38,499,158 new Ordinary Shares, by way of rights to Qualifying Shareholders, as described in this document
“Rights Issue Price”	the price of 21p per share, at which the Ordinary Shares are being offered pursuant to the Rights Issue
“RMB”	Renminbi Yuan, the official currency of China
“Regulations”	the Uncertificated Securities Regulations 1995 (SI 1995 No 95/3272)
“Shareholder”	a holder of Ordinary Shares
“Tai Family”	Mr. Chi Wah Tai, a director of Gold-Face, and his family members, certain of whom are deemed to hold a controlling interest in Gold-Face
“U.K.”	The United Kingdom
“Warrants”	the 2,500,000 warrants to subscribe for Ordinary Shares in the Company
“Wealth Enterprises”	Wealth Enterprises Limited, a subsidiary of Gold-Face Investment
“Yangchun Steel”	The Yangchun Steel Group of Companies
“Yieldful” †	Yieldful Holdings Limited, a subsidiary of the Company

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## Directors, Company Secretary and Advisers

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<b>Directors and Company Secretary</b>	Kuen Tai, <i>M.B.E., J.P.</i>	Chairman
	David Man-tin Ip	Chief Executive
	David Foo Tai Wong, <i>AFA</i>	Chief Operating Officer
	Chi Fai Poon, <i>J.P.</i>	Operations Director, PRC
	Derek Roy Wardell, <i>FRICS</i>	Operations Director, UK
	Paul Chan-nin Tam, <i>FRICS, AP</i>	Property Director
	David Alan Collins, <i>FCA</i>	Finance Director
		and Company Secretary
	Simon Harold John Arthur Knott	Non-Executive Deputy Chairman
	Kevin Grierson Goldstein-Jackson	Non-Executive Director
	The Honourable Wong-Fat Lau, <i>O.B.E., M.B.E., J.P.</i>	Non-Executive Director
	all of 507, Silvercord Tower 1, 30 Canton Road, Tsimshatsui, Kowloon, Hong Kong, except Messrs. Wong, Wardell, Collins, Knott and Goldstein-Jackson, whose business address is the registered office of the Company	
<b>Registered office and head office in the United Kingdom</b>	Foxglove House 166 Piccadilly London W1V 9DE	
<b>Head office in Hong Kong</b>	507, Silvercord, Tower 1 30 Canton Road, Tsimshatsui Kowloon Hong Kong	
<b>Sponsor and Financial Adviser</b>	Deloitte & Touche Corporate Finance Stonecutter Court 1 Stonecutter Street London EC4A 4TR	
<b>Stockbrokers</b>	Fiske & Co. Ltd. Salisbury House London Wall London EC2M 5QS	
<b>Joint Reporting Accountants</b>	Deloitte & Touche Chartered Accountants Stonecutter Court 1 Stonecutter Street London EC4A 4TR	Deloitte Touche Tohmatsu Certified Public Accountants 26th Floor, Wing On Centre 111 Connaught Road, Central Hong Kong
<b>Solicitors to the Company</b>	Penningtons Bucklersbury House 83 Cannon Street London EC4N 8PE	
<b>Solicitors to Gold-Face</b>	Richards Butler 20/F Alexandra House Chater Road, Central Hong Kong	

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<b>Solicitors to the Issue</b>	Sinclair Roche & Temperley Royex House 5 Aldermanbury Square London EC2V 7LE
<b>Auditors</b>	Deloitte & Touche Chartered Accountants Hill House 1 Little New Street London EC4A 3TR
<b>Valuers</b>	DTZ Debenham Thorpe 3-5 Swallow Place London W1A 4NA
<b>Principal banker</b>	The Hongkong & Shanghai Banking Corporation Limited 17 Gerrard Street London W1V 8HB
<b>Registrars and transfer office</b>	Northern Registrars Limited Northern House Penistone Road Fenay Bridge Huddersfield HD8 0LA

## Key Information

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### Key Information

The following information is derived from and should be read in conjunction with the full text of this document.

### Summary of the proposed transactions

#### *The proposed transactions*

- the acquisition of a 49 per cent. interest in a landmark investment property known as Newport Sandringham, located on the edge of London's Chinatown fronting Charing Cross Road, Newport Court and Newport Place, consisting of 24 retail and restaurant units on up to three levels
- the acquisition of a freehold interest in the centre of London's Chinatown on Gerrard Street. The property has substantial development potential since the upper floors were destroyed by fire in the late 1970s. Chinatown is acknowledged as an important tourist attraction and both properties are located close to London's theatre and cinema districts
- acquisition of a joint venture interest in a factory project in China
- the 20 for 17 Rights Issue to raise £7.4 million (net of expenses)

#### *The benefits to the Enlarged Group*

- 49 per cent. minority interest in Goldline Properties which owns the leasehold of Newport Sandringham, a property adjacent to London's Chinatown, with an option to purchase up to a further 41 per cent.
- continuation of the Group's stated strategy through the increase in its asset base both in the U.K. and China

#### *Group Strategy*

- to establish a balanced portfolio of U.K. and Chinese property based assets by:
  - placing emphasis on investing in Chinatown property with significant yield and development potential in the U.K. and in high income and capital growth projects in China
  - utilising an experienced management team based both in the U.K. and Hong Kong

## Key Statistics and Expected Timetable

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### Key Statistics

Share price as at close of business on 8 July, 1997, being the latest practicable date prior to the publication of this document	27.5p
Number of new Ordinary Shares	38,499,158
Number of existing Ordinary Shares	32,724,284
Total number of Ordinary Shares in issue following the Rights Issue	71,223,442
Rights Issue Price	21p
Estimated net proceeds of the Rights Issue	£7.4 million
Consolidated net assets of the Group	£7.6 million
Pro forma consolidated net assets of the Enlarged Group*	£15.0 million
Consolidated net assets of the Group per Ordinary Share	23.3p
Pro forma consolidated net assets of the Enlarged Group per Ordinary Share*	21.1p

*Note:* \*The pro forma consolidated net assets are calculated on the basis set out in Part VIII of this document.

### Expected Timetable

1997

Record date for the Rights Issue	Close of business on 28 July
Latest time for receipt of forms of proxy for the Extraordinary General Meeting of the Company	11:35 a.m. on 30 July
Annual General Meeting of the Company	11:30 a.m. on 1 August
Extraordinary General Meeting of the Company	11:35 a.m. on 1 August
Despatch of Provisional Allotment Letters	1 August
Dealings commence in new Ordinary Shares, nil paid	4 August
Latest time for splitting new Ordinary Shares, nil paid	3:00 p.m. on 20 August
Latest time for acceptance and payment in full or registration of renunciation	3:00 p.m. on 22 August
Dealings commence in new Ordinary Shares, fully paid	25 August
Definitive certificates in respect of the new Ordinary Shares despatched	29 August

## **GOLDEN LAND INVESTMENTS PLC**

*(Registered in England No. 1366078)*

*Directors:*

Kuen Tai, *M.B.E., J.P., Chairman*  
David M.T. Ip, *Chief Executive*  
David F.T. Wong, *AFA, Chief Operating Officer*  
Chi Fai Poon, *J.P., Operations Director, PRC*  
Derek R. Wardell, *FRICS, Operations Director, UK*  
Paul Chan-nin Tam, *FRICS, AP, Property Director*  
David A. Collins, *FCA, Finance Director and Company Secretary*  
Simon H.J.A. Knott, *Non-Executive Deputy Chairman*  
Kevin G. Goldstein-Jackson, *Non-Executive Director*  
The Honourable Wong-Fat Lau, *O.B.E., M.B.E., J.P., Non-Executive Director*

*Registered Office:*

Foxglove House  
166 Piccadilly  
London W1V 9DE

9 July, 1997

*To the holders of Ordinary Shares  
and, for information only, the holders of Warrants*

Dear Shareholder,

### **Proposed Acquisitions and associated Rights Issue**

#### **INTRODUCTION**

Your Board announced yesterday its audited results for the fifteen months ended 31 March, 1997, the proposed acquisitions of interests in Goldline Properties, Jade Champion and Wealth Enterprises and an associated issue by way of rights of up to 38,499,158 new Ordinary Shares at a price of 21p per share to raise approximately £7.4 million net of expenses. In addition, your Board recently announced a RMB15 million (£1.1 million) investment in a power station project in Guangdong Province, PRC and a property development project of approximately £2.1 million in Central London. The proposed Rights Issue will assist in the financing of the Acquisitions and the Additional Investments, the repayment of intercompany indebtedness, and will provide additional working capital for the Company for further expansion. Your Board considers that the consideration paid for the interests in each of the Acquisitions is justified by the potential value to the Company of the investments in the long term.

An extract from the audited results of the Company for the fifteen months ended 31 March, 1997 is reproduced in Part III of this document. A copy of the Report and Accounts accompanies this document.

The Acquisitions and the Rights Issue are conditional, *inter alia*, on the approval of Shareholders at an Extraordinary General Meeting to be held on 1 August, 1997, notice of which is set out on pages 110 and 111 of this document. The purpose of this document is to provide you with details of the proposed Acquisitions, the Additional Investments and the associated Rights Issue and to seek your consent where appropriate.

#### **DETAILS OF THE ACQUISITIONS**

##### **Goldline Properties**

Your Board announced today the proposed acquisition of 49 per cent. of the share capital of Goldline Properties Limited, the sole fixed asset of which is a long leasehold interest, granted by Westminster City Council, in various retail and restaurant units within the property known as Newport Sandringham, adjacent to London's Chinatown, for a consideration of £16,362, being 49 per cent. of the audited net asset value of Goldline Properties as at 31 March, 1997.

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## ADDITIONAL INVESTMENTS

### Chunlai power station investment in PRC

On 17 December, 1996 your Board announced that the Company's 90 per cent. owned subsidiary, Yieldful had entered into an agreement dated 8 November, 1996 with Yangchun Steel to form a joint venture company to construct and operate a blast furnace waste heat power station of 6,000 kilowatts capacity in Guangdong Province, PRC.

Under the terms of the agreement the Group agreed to make a capital contribution of RMB15 million (£1.1 million) to the joint venture company to meet construction costs. The capital contribution, in essence project finance, is to be made in three instalments of RMB5 million (£0.4 million) during the first eight months of the agreement. Two instalments have already been made.

In addition to the agreement described above, Yieldful entered into a separate agreement, described as supplemental to the main joint venture agreement ("the understanding") which contains provisions relating, *inter alia*, to (i) the repayment of Yieldful's capital contributions over a two year period from the commencement of production, (ii) Yieldful's guaranteed annual minimum income from the project of RMB2.7 million (£0.2 million) and (iii) a cap of RMB15 million (£1.1 million) on the total capital contribution requirement from Yieldful.

Since the announcement by the Company of this investment in December 1996, the Company has been advised that under Chinese law, while the terms of the joint venture agreement are valid and enforceable, those of the understanding are not enforceable. However, the Board believes that the nature of its relationships in China decreases the likelihood of default in relation to the understanding to an acceptable level. Further details are set out in Part IX of this document (in the section headed — Risk Factors and Property Law in China).

Construction commenced in November, 1996 and is expected to be completed before the end of November, 1997. The Board believes that the agreement and the understanding provide Golden Land Investments with the potential for a significant return and will lead to new investment opportunities within the region as detailed in the paragraph relating to Future Prospects below.

### Hill Street property development project

On 20 January, 1997, Purnell Enterprises Limited, a wholly-owned subsidiary of the Group, acquired the issued share capital of 37 Hill Street Limited, which has the benefit of an agreement to develop (and subsequently to acquire) a 125 year leasehold interest in a building known as 37 Hill Street, Mayfair, London W1. The property currently comprises approximately 6,800 square feet which was formerly used as office space and which the Company is now converting into one substantial luxury residence.

Consideration for the acquisition and development of the property is estimated at approximately £2.1 million. £0.5 million was paid in cash on completion of the acquisition of the development rights (of which £0.3 million related to the purchase of the issued share capital of 37 Hill Street Limited), which was funded from existing cash resources. Total development costs are estimated to be approximately £0.7 million and an additional £0.9 million in cash will be paid on the grant of the 125 year leasehold interest following completion of the development, which is to be no later than 13 December, 1997. It is intended to finance this sum via the proceeds of the Rights Issue. The Company will hold the property as a current asset pending resale.

The Board believes that the development, once completed, will yield a substantial return for the Group, since there is a shortage of good-sized quality residential property in the West End of London. The Hill Street property is particularly well located and premium prices are being generated from the sale of comparable properties in the area.

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## DETAILS OF THE RIGHTS ISSUE

Your Board also announced today a proposed offer for subscription by way of rights to Qualifying Shareholders of 38,499,158 new Ordinary Shares at an issue price of 21 pence per new Ordinary Share, payable in full on acceptance, on the following basis:

### 20 new Ordinary Shares for every 17 Ordinary Shares held

and so in proportion for any other number of Ordinary Shares held on the Record Date. Provisional allotments will be rounded down to the nearest whole number and fractions of new Ordinary Shares will not be allotted.

The new Ordinary Shares, when fully paid and on Admission, will rank *pari passu* in all respects with the existing Ordinary Shares, including the right to receive all dividends and other distributions hereafter declared, made or paid. The Rights Issue is conditional, *inter alia*, upon the passing of the resolutions set out on pages 110 and 111 without amendment and upon Admission.

The Rights Issue will raise approximately £7.4 million net of expenses for the Company which will be applied towards the financing of the Acquisitions and Additional Investments which require a total investment of £5.8 million. The balance of the proceeds from the Rights Issue, amounting to approximately £1.6 million, will be used in part to repay the intercompany indebtedness of Golden Land Investments to Gold-Face of £1.2 million and in part to provide additional working capital for the Enlarged Group.

Further details of the Rights Issue are set out in Part II.

## REASONS FOR THE ACQUISITIONS, GROUP STRATEGY AND FUTURE PROSPECTS

The policy of the Group's ultimate major shareholder, Gold-Face, a successful property company listed on the Hong Kong Stock Exchange, is to concentrate on property development within Hong Kong. Its current market capitalisation is in excess of £90 million. This geographic concentration by Gold-Face led to the decision to utilise Golden Land Investments as an independent international investment vehicle, with a listing on the London Stock Exchange, concentrating on property investment and development and direct investments in the U.K. and China.

Your Board's initial strategy has been to wind down the Group's traditional refurbishment business and to strengthen its core asset base and profit-generating potential by selective acquisitions and investments within its chosen markets. As set out in the prospectus issued in July, 1996, activity in the U.K. has concentrated on the acquisition of property with significant income-generating and/or development potential, located in central city areas.

The majority of your Board is independent of Gold-Face and as such the decision to enter into the Acquisition agreements has been made and approved by Directors who are independent of the controlling shareholder. Furthermore, as also detailed in the July, 1996 prospectus, any relationships arising between the Group and Gold-Face have been and continue to be effected on an arm's length basis and on normal commercial terms.

The acquisitions of the interests in Goldline Properties and Jade Champion are expected to provide the Company with additional income and significant potential for enhanced returns from improvement of the terms of the leases of the retail units of Newport Sandringham and from the redevelopment potential of the Gerrard Street property. In addition, the Directors believe that the residential development project at 37 Hill Street, Mayfair, offers the Company a significant potential return and demonstrates the Group's ability to seek and secure niche property development opportunities in key central city locations.

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## **ACTION TO BE TAKEN**

Enclosed with this document you will find a form of proxy for use in connection with the Extraordinary General Meeting. Whether or not you intend to attend the meeting, you are requested to complete and return the form of proxy as soon as possible and in any event so as to reach the Company's Registrars not later than 48 hours before the time appointed for the meeting. If you complete and return the form of proxy, you may still attend and vote at the Extraordinary General Meeting should you wish to do so.

Qualifying CREST shareholders should note that applications will not be made for the new Ordinary Shares, nil paid, to be admitted to CREST and no dealings in the new Ordinary Shares, nil paid may be made in CREST.

## **FURTHER INFORMATION**

Your attention is drawn to the further information set out in Parts II to X of this document.

## **RECOMMENDATION**

As described above, the proposed Acquisitions are related party transactions for the purposes of the Listing Rules. Chi Fai Poon and I are deemed to be interested in these acquisitions, since we are also directors of Gold-Face. David Man-tin Ip is also deemed to be interested due to his interests in Quest Gold, which is a shareholder in the Company. None of us have any interest in the issued share capital of Golden Land Investments save for any deemed interest held through the Gold-Face Group, details of which are set out in Part X of this document, and through the deemed interest held through Quest Gold. Furthermore, neither Chi Fai Poon, David Man-tin Ip nor I have been involved in any of the discussions the remaining Directors have had with Deloitte & Touche Corporate Finance, the Company's financial adviser, as to the merits and benefits of the proposed Acquisitions with regard to the Shareholders of Golden Land Investments and we have undertaken to abstain and have taken all reasonable steps to ensure that our associates will abstain from voting on resolutions to approve the same.

With the exception of Chi Fai Poon, David Man-tin Ip and I, all of the Directors (the "Independent Directors"), who have been so advised by Deloitte & Touche Corporate Finance, consider the proposed Acquisitions to be fair and reasonable so far as the Shareholders of the Company as a whole are concerned. The Independent Directors recommend that you vote in favour of the resolutions in respect of the proposed Acquisitions, as they intend to do in respect of their own beneficial holdings. In providing advice to the Independent Directors, Deloitte & Touche Corporate Finance has taken into account the commercial assessment of the proposed Acquisitions made by the Independent Directors.

The Gold-Face Group and Quest Gold (of which David Man-tin Ip is a majority shareholder) have undertaken to vote in favour of Resolution 2 to facilitate the Rights Issue but not to vote in relation to Resolution 1 in respect of the proposed Acquisitions since they are of a related party nature. All of the Directors recommend that you vote in favour of the Resolution facilitating the Rights Issue, as they intend to do in respect of their own beneficial holdings, or deemed holdings, of 521,832 Ordinary Shares, representing in aggregate 1.59 per cent. of the current issued share capital of the Company.

Yours faithfully,

**Kuen Tai**     †  
*Chairman*

### 1. Terms of the Rights Issue

Subject to the fulfilment of the conditions referred to below, up to 38,499,158 new Ordinary Shares will be offered for subscription by way of rights to Qualifying Shareholders at a price of 21 pence per new Ordinary Share, payable in full on acceptance, on the following basis:

#### 20 new Ordinary Shares for every 17 Ordinary Shares held

and so in proportion for any other number of Ordinary Shares held on the Record Date. Provisional allotments will be rounded down to the nearest whole number and fractions of new Ordinary Shares will not be allotted. The rights to such fractional entitlements to new Ordinary Shares will be aggregated and sold in the market for the benefit of the Company. Fiske & Co. Ltd. has agreed to underwrite a certain proportion of the Rights Issue in accordance with the terms and subject to the conditions contained in an agreement made between (1) the Company and (2) Fiske & Co. Ltd. (the "Underwriting Agreement").

The Gold-Face Group has irrevocably undertaken to apply for up to 72.7 per cent. of the Rights Issue amounting to 27,994,956 new Ordinary Shares. The Rights Issue has therefore been underwritten by Fiske & Co. Ltd. to the extent of the difference between the number of new Ordinary Shares taken up under the Rights Issue by the Gold-Face Group and the total number of new Ordinary Shares available to Qualifying Shareholders, amounting to 10,504,202 new Ordinary Shares.

The allotment and issue of the new Ordinary Shares will be made upon, and subject to, the terms and conditions set out in this document and in the Provisional Allotment Letter.

The new Ordinary Shares will, when issued and fully paid and on Admission, rank *pari passu* in all respects with the existing Ordinary Shares, including the right to all dividends and other distributions hereafter declared, made or paid.

The Rights Issue is conditional upon:

- (i) the passing of Resolutions 1 and 2 set out in the notice of the Extraordinary General Meeting set out at the end of this document;
- (ii) the Acquisitions agreements having become unconditional in all respects and having been completed and held in escrow in accordance with their terms;
- (iii) the Underwriting Agreement having become unconditional and not having been terminated in accordance with its terms by Fiske & Co. Ltd.; and
- (iv) the London Stock Exchange admitting the new Ordinary Shares to the Official List and Admission becoming effective not later than 8:30 a.m. on 25 August, 1997, or such later date as Fiske & Co. Ltd. may agree.

Fiske & Co. Ltd. has the right to terminate the Underwriting Agreement for a breach of condition prior to Admission; if that right is exercised, the Rights Issue will not proceed.

### 2. Provisional Allotment Letters

Subject to the fulfilment of the conditions referred to in paragraph 1.(i) above, Provisional Allotment Letters, which will set out the holdings of existing Ordinary Shares on which Qualifying Shareholders' entitlements under the Rights Issue are based and the number of new Ordinary Shares (in nil paid form) for which Qualifying Shareholders are entitled to subscribe, are expected to be despatched to Qualifying Shareholders by first class post on 1 August, 1997. If the conditions referred to in paragraph 1.(i) above are not fulfilled on or before 1 August, 1997, Provisional Allotment Letters, which will also set out new dates, will be despatched as soon as practicable following such fulfilment, subject to this occurring on or before 10:00 a.m. 25 August, 1997.

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The Provisional Allotment Letters will contain full details regarding acceptance and payment, renunciation, consolidation, splitting and registration and the procedure to be followed if a Qualifying Shareholder wishes to dispose of all or part of his entitlement.

Fully paid Provisional Allotment Letters are expected to be renounceable until 3:00 p.m. on 22 August, 1997, subject to their terms and conditions. Thereafter, the new Ordinary Shares will be in registered form and will be transferable by instrument of transfer in any usual or common form or in any other form approved by the Directors. Pending the issue of definitive certificates, which is expected to be on or before 29 August, 1997, no temporary documents of title will be issued. Transfers of new Ordinary Shares will be certified against the share register.

### **3. Dealings in the new Ordinary Shares**

Application has been made to the London Stock Exchange (and no other stock exchange) for Admission of up to 38,499,158 new Ordinary Shares. It is expected that Admission will occur and that dealings in the new Ordinary Shares will commence, nil paid, on 4 August, 1997. It is expected that dealings will commence in the new Ordinary Shares, fully paid, on 25 August, 1997. If Admission does not occur by or on 8:30 a.m. on 25 August, 1997, the provisional allotment of new Ordinary Shares will lapse.

### **4. Procedure for acceptance and payment**

On the basis that Provisional Allotment Letters are posted on 1 August, 1997 and that dealings in the new Ordinary Shares, nil paid, commence on 4 August, 1997, the latest time and date for acceptance and payment in full for the new Ordinary Shares will be 3:00 p.m. on 22 August, 1997.

The Provisional Allotment Letter will set out the holding of existing Ordinary Shares on which a Qualifying Shareholder's entitlement has been based, the aggregate number of new Ordinary Shares which have been provisionally allotted and the procedure to be followed if such holder wishes to dispose (whether before or after payment of the Rights Issue Price) of all or part of his or her entitlement. The Provisional Allotment Letter will also include instructions regarding acceptance and payment, splitting and registration of renunciation. The allotment and issue of the new Ordinary Shares will be made upon, and will be subject to, the terms and conditions set out in this document and in the Provisional Allotment Letter.

**To take up your provisional allotment in whole or in part, you should lodge the Provisional Allotment Letter in accordance with the instructions thereon, together with a remittance for the full amount payable, by post or by hand, with the Company's Registrars, who are Northern Registrars Limited, Northern House, Penistone Road, Fenay Bridge, Huddersfield HD8 0LA, so as to arrive, in each case, not later than 3:00 p.m. on 22 August, 1997, or such later date as may be specified in the Provisional Allotment Letter.**

All payments must be in pounds sterling and must be made by cheque or banker's draft, made payable to Northern Registrars Limited A/C Golden Land Investments and crossed "Account Payee". Cheques and banker's drafts must be drawn on a bank or a building society in the U.K. which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which is a member of either of the committees of the Scottish or Belfast Clearing Houses or which has arranged for its cheques or banker's drafts to be cleared through the facilities provided for members of any of those companies or committees and must bear the appropriate sort code in the top right hand corner.

Interest on payments made before they are due will accrue to the benefit of the Company. It will be a term of the Rights Issue that all cheques (which are liable to be presented on receipt) will be honoured on the first presentation and the Company may elect not to treat as valid, acceptances in respect of which cheques are not so honoured. Dishonoured cheques will not be returned. The Company reserves the right to instruct the Company's registrars to seek special clearance of cheques to allow the Company to obtain value for remittances at the earliest opportunity.

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The Company may, at its sole discretion, treat the Provisional Allotment Letter as valid and binding on the person(s) by whom or on whose behalf it is lodged even if not completed in accordance with the relevant instructions or not accompanied by a valid power of attorney where required.

The Company reserves the right, but shall not be obliged, to treat as valid acceptances in respect of which remittances are received prior to 3:00 p.m. on 22 August, 1997 from an authorised person (as defined in the Financial Services Act 1986) specifying the new Ordinary Shares concerned and including or accompanied by an undertaking from such authorised person to lodge the relevant Provisional Allotment Letter or split letter from a Provisional Allotment Letter duly completed in due course. The Company reserves the right, but shall not be obliged, to accept Provisional Allotment Letters or split letters from Provisional Allotment Letters and accompanying remittances which are received through the post after 3:00 p.m. on 22 August, 1997 (provided that the cover bears a legible postmark with a time and date not later than 3:00 p.m. on 21 August, 1997).

**All queries in connection with the Provisional Allotment Letter should be addressed to the Company's Registrars, who are Northern Registrars Limited, Northern House, Penistone Road, Fenay Bridge, Huddersfield HD8 0LA.**

#### **5. Money Laundering Regulations**

To ensure compliance with the Money Laundering Regulations 1993, the Company's Registrars may require, at their absolute discretion, verification of identity from any person lodging a Provisional Allotment Letter. Return of a Provisional Allotment Letter with the appropriate remittance will constitute a warranty from the applicant that the Money Laundering Regulations 1993 will not be breached by the acceptance of the remittance and an undertaking from the applicant to provide verification of identity reasonably satisfactory to the Company's Registrars, if so requested. Failure to provide satisfactory evidence of identity if requested to do so may result in a delay in the return of a receipted fully paid Provisional Allotment Letter and the despatch of definitive share certificates in respect of new Ordinary Shares. If the value of an application exceeds £10,000 (or is one of a series of linked applications the aggregate value of which exceeds that amount), verification of the applicant's identity will be required if payment is made other than by the applicant. If the Company's Registrars determine that the above verification requirements apply to any acceptance of an allotment, the relevant new Ordinary Shares will be allotted to the relevant person but (notwithstanding any other terms of the Rights Issue) will not be issued to him until the above verification requirements have been satisfied.

If the above verification requirements are not satisfied within such period, being not less than 21 business days after a request for evidence of identity is despatched, as the Company may in its absolute discretion allow, the Company will be entitled to make arrangements (in its absolute discretion as to manner, timing and terms) to sell the relevant new Ordinary Shares and for that purpose the Company will be authorised to act as the agent of the allottee. Any proceeds from such sale of such new Ordinary Shares (which shall be issued to and registered in the name of the purchasers) or any amount equivalent to the aggregate Rights Issue Price, whichever is lower (net of expenses of sale), will be held by the Company on trust for the relevant persons, subject to the requirements of the Money Laundering Regulations 1993.

#### **6. Renunciation and splitting**

The Provisional Allotment Letter will be renounceable, subject to the terms and conditions thereof and save as required by the laws of certain foreign jurisdictions, by completing the form of renunciation on the Provisional Allotment Letter and handing it intact to the person through or to whom the new Ordinary Shares are being sold or transferred. Once renounced, a Provisional Allotment Letter will become a negotiable document in bearer form. The latest time and date for registration of renunciation is 3:00 p.m. on 22 August, 1997 or such dates as may be specified in the Provisional Allotment Letter.

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The Provisional Allotment Letter may be split, nil paid (in accordance with the instructions printed thereon) if lodged, by post or by hand, with Northern Registrars Limited up to 3:00 p.m. on 20 August, 1997 or such date as may be specified in the Provisional Allotment Letter.

## **7. Share Certificates and CREST**

After 3:00 p.m. on 22 August, 1997, entitlements to new Ordinary Shares issued pursuant to the Rights Issue will be entered in the Register of Members of the Company. It is expected that definitive share certificates for the new Ordinary Shares will be despatched by 29 August, 1997 by first class post at the risk of the persons entitled thereto. After 22 August, 1997 Provisional Allotment Letters will cease to be valid for any purpose whatsoever. After 3:00 p.m. on 22 August, 1997 and pending despatch of definitive share certificates, instruments of transfer of new Ordinary Shares will be certified by Northern Registrars Limited, Northern House, Pennistone Road, Fenay Bridge, Huddersfield, West Yorkshire HD8 0LA against surrender of fully paid Provisional Allotment Letters, or in the case of renunciation, against the delivery of the receipt issued for renounced Provisional Allotment Letters.

The existing Ordinary Shares were admitted to the CREST system with effect from 30 September, 1996. As stated above, the new Ordinary Shares will initially be issued and certificated for and represented by definitive share certificates. Shareholders wishing to hold the new Ordinary Shares in uncertificated form will need to comply with the relevant procedure for conversion into uncertificated form.

## **8. Procedure in respect of rights not taken up**

If payment in full whether by the original allottee (or any person in whose favour the rights have been renounced) is not received by 3:00 p.m. on 22 August, 1997 or such date as may be specified in the Provisional Allotment Letter, the provisional allotment will be deemed to have been declined and will lapse. Fiske & Co. Ltd. will seek to procure subscribers for any new Ordinary Shares not so taken up, if an amount at least equal to the total of the Rights Issue Price (after deduction of the expenses of procuring such subscribers including any applicable commissions and brokerages and any value added tax thereon) can be obtained. If subscribers can be procured on such basis, such new Ordinary Shares will be reallocated to such subscribers and any net proceeds (after deduction of the Rights Issue Price and expenses of procuring such subscribers) will be paid *pro rata* by cheque to the provisional allottees originally entitled hereto, except that entitlements of less than £3 will not be paid to such provisional allottees but will be aggregated and sold and the net receipts retained for the benefit of the Company.

Any action taken pursuant to this paragraph 8 shall be deemed to have been taken at the request of such allottees and neither the Company, nor Fiske & Co. Ltd. nor any person procuring or seeking to procure such subscribers shall be responsible or have any liability for any loss or damage (whether actual or alleged) arising from the terms of, or the amount of, or the timing of, any such subscription or the procuring thereof or the decision not to endeavour to procure subscribers. Cheques for the amount due will be sent at the risk of the person(s) entitled thereto, to their registered addresses (the registered address of the first named in the case of joint holders).

## **9. Taxation**

### **(a) United Kingdom**

The following paragraphs are intended as a general guide for Shareholders who are resident or ordinarily resident in the U.K. for tax purposes holding their Ordinary Shares (otherwise than under a Personal Equity Plan) as investments and not as securities to be realised in the course of trade and are based on the legislation and practice in force at 8 July, 1997 (being the latest date practicable prior to the publication of this document) which may change. The guide does not purport to be a complete analysis or listing of all

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the potential tax consequences of holding Ordinary Shares. Shareholders are advised to consult their tax advisers with respect to the tax consequences in their particular circumstances in the U.K. and any other jurisdiction in which they are or may be subject to tax.

(i) Taxation on capital gains

The issue of the new Ordinary Shares by the Company pursuant to the Rights Issue will be regarded as a reorganisation of the Company's share capital for the purposes of U.K. taxation of capital gains. Accordingly, a Shareholder will not be treated as making a disposal of all or part of his existing holding of Ordinary Shares by reason of taking up all or part of his rights to new Ordinary Shares as a result of the Rights Issue.

To the extent that a Shareholder takes up the new Ordinary Shares provisionally allotted to him, the new Ordinary Shares so allotted, together with the Shareholder's existing holding of Ordinary Shares, will, for the purposes of U.K. taxation on capital gains, be treated as the same asset as the existing holding and as having been acquired at the same time as the existing holding was acquired. The amount of subscription monies paid for the new Ordinary Shares will be added to the allowable expenditure for the Shareholder's existing holding and the aggregated amount will, on a subsequent disposal of any Ordinary Shares comprised in the composite holding, be apportioned between the number of Ordinary Shares disposed of and the number remaining by reference to the market value of Ordinary Shares at the date of disposal. For the purposes of the indexation allowance, the expenditure incurred in subscribing for the new Ordinary Shares will be treated as being incurred at the date it is paid or is liable to be paid, and not at the date of acquisition of the existing holding. If part or all of a Shareholder's holding is acquired or deemed to have been acquired on or before 31 March, 1982, special matching rules apply.

The disposal by a Shareholder of part or all of the new Ordinary Shares provisionally allotted to him, or of the rights to subscribe for new Ordinary Shares or, if he does not take up his rights or is deemed not to have taken them up, the receipt by him of a cash payment under the arrangements referred to in paragraph 8 above may, depending on his circumstances, render him liable to tax on capital gains.

If, in return for a cash payment, a Shareholder disposes of all or part of his rights to subscribe for new Ordinary Shares, or does not take up his rights, or is deemed not to have taken them up and the cash proceeds are "small" compared with the value of the Ordinary Shares in respect of which the rights arose, the Inland Revenue may direct that the Shareholder is not to be treated as making a disposal for the purpose of tax on capital gains. No liability to such tax will then arise as a result of the disposal or lapse of the rights but the proceeds will be deducted from the base cost of the Shareholder's existing holding of Ordinary Shares. The Inland Revenue interprets "small" as 5 per cent. or less of the value of the Ordinary Shares in respect of which the rights arose.

(ii) Taxation of dividends

The statements that follow assume that the Company will not elect to pay any foreign income dividends under the provisions contained in the Finance Act 1994. The Directors have no present intention of making any such election. It is also assumed that none of the dividends will be treated as distributions within Schedule 7 of the Finance Act 1997.

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Under current U.K. tax legislation, the Company is not required to withhold tax when paying a dividend but the Company will be required to account to the Inland Revenue for advance corporation tax (ACT). The rate of ACT is at present, equal to one quarter of the dividend. ACT paid by the Company can be set off against its liability to corporation tax, subject to certain limits and restrictions. Individual Shareholders resident (for tax purposes) in the U.K. who receive a dividend paid by the Company will be entitled to a tax credit. At current rates this credit is an amount equal to one quarter of the dividend. The individual will be taxable on the total of the dividend and the related tax credit, which will be regarded as the top slice of the individual's income. The tax credit will, however, be treated as discharging the individual's liability to income tax in respect of the dividend unless and except to the extent that the dividend and related tax credit fall above the threshold for the higher rate of income tax, in which case the individual will, to that extent, pay tax on the dividend and related tax credit at a rate equal to the excess of the higher rate (currently 40 per cent.) over the lower rate (currently 20 per cent.). If the tax credit exceeds the individual's liability to income tax on the total of the dividend and the tax credit, he will be able to claim payment of the excess from the Inland Revenue. Subject to certain exceptions for some insurance companies, a U.K. resident corporate Shareholder that receives a dividend paid by the Company will be entitled to a tax credit in respect of the dividend and will not be taxable on it. The dividend received and related tax credit will normally constitute franked investment income. The tax credit will be in an amount equal to one quarter of the dividend.

In his Budget speech on 2 July, 1997 the Chancellor of the Exchequer announced a number of measures which, if enacted, will change the taxation of dividends paid by the Company. The changes announced mean that U.K. pension providers and most U.K. companies (including authorised unit trust and open ended investment companies) are no longer able to claim repayment of tax credits for dividends paid on or after 2 July, 1997. Individual shareholders resident in the U.K. will continue to be entitled to repayment of tax credits in respect of dividends paid on or before 5 April, 1999. For dividends paid after 5 April, 1999, tax credits will cease to be repayable to individual shareholders resident in the U.K.

For dividends paid after 5 April, 1999, the amount of tax credit will be reduced to an amount equal to one ninth of the dividend paid. The tax credit will continue to discharge an individual's liability to income tax in respect of the dividend unless and except to the extent that the dividend and the related credit fall above the threshold for the higher rate of income tax, in which case the individual will to that extent pay tax on the dividend and the related tax credit at a rate equal to the excess of 32.5 per cent. over 10 per cent.

Subject to certain exceptions for Commonwealth citizens, nationals of any state within the European Economic Area, residents of the Isle of Man or the Channel Islands and certain others, the right of a holder of an Ordinary Share who is not resident (for tax purposes) in the U.K. to a tax credit in respect of a dividend received from the Company and to claim payment from the Inland Revenue of any proportion of the tax credit in respect of a dividend received from the Company will depend on the existence and terms of any double taxation treaty between the U.K. and the jurisdiction in which the Shareholder is resident.

(iii) Stamp duty and stamp duty reserve tax

- † (i) no stamp or stamp duty reserve tax will be payable on the issue of Provisional Allotment Letters or split Provisional Allotment Letters;

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- (ii) the transfer of rights to new Ordinary Shares represented by a Provisional Allotment Letter for money or money's worth on or before the latest time for registration of renunciation will not, if effected by delivery of such letter, be liable to stamp duty but will, except in the case of transfers to charities and certain market makers, brokers and dealers, be liable to stamp duty reserve tax at the rate of one half of one per cent. of the consideration paid. Where such a transfer is effected through a stockbroker or other financial intermediary, that person should normally account for the liability to stamp duty reserve tax and should indicate that this has been done in any contract note issued to a transferee. In other cases, the purchaser of rights to the new Ordinary Shares represented by a Provisional Allotment Letter is liable to pay the stamp duty reserve tax and must account for it to the Inland Revenue;
  - (iii) the transfer on sale of new Ordinary Shares after the latest time for registration of renunciation will generally be subject to *ad valorem* stamp duty at the rate of 50 pence for every £100 or part of £100 of the consideration paid or, if an unconditional agreement to transfer such shares is not completed by a duly stamped transfer within two months, stamp duty reserve tax, at the rate of one half of one per cent. of the consideration; and
  - (iv) no stamp duty or stamp duty reserve tax will be payable on the registration of the new Ordinary Shares by the original holders of Provisional Allotment Letters or their renounees.

(b) *PRC*

In accordance with the Chinese Foreign Investment Enterprises Income Tax Law, dividends distributed to foreign investors are exempt from any withholding tax.

Any profit or gain realised by a foreign investor on disposal of an interest in a PRC joint venture will normally be subject to withholding tax of 20 per cent.

(c) *Hong Kong*

Companies carrying on business in Hong Kong are liable to tax in respect of Hong Kong sourced profits (excluding capital gains and dividends) at the rate of 16.5 per cent.

Dividend income received by Hong Kong companies is not chargeable to tax under the Hong Kong Inland Revenue Ordinance. Hong Kong also does not levy withholding tax on dividends payable by Hong Kong companies to either residents or non-residents. Profits or gains realised on disposals of shares held for investment purposes are not subject to taxation in Hong Kong. However, income received and gains realised by persons in the course of a trade, profession or business carried on in Hong Kong may attract Hong Kong profits tax.

(d) *The British Virgin Islands*

Under current British Virgin Islands ("BVI") legislation there is no withholding tax, capital gains tax, income or profits tax, capital transfer tax, estate duty or inheritance tax payable in the BVI by companies incorporated under the International Business Companies Ordinance 1984 of the British Virgin Islands.

Thus, dividend income received by International Business Companies is not subject to BVI tax. In addition, there is no withholding tax on dividends distributed by International Business Companies to their shareholders.

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Any profits or gains realised on the disposal of shares of International Business Companies will be exempt from BVI tax.

(e) *Western Samoa*

International Companies registered under the International Companies Act 1987 of Western Samoa are exempt from any tax in Western Samoa.

Dividend income received by companies registered under the International Companies Act 1987 will not be subject to any Western Samoa tax. Dividends distributed by such companies are also exempt from any withholding tax of Western Samoa. Furthermore, there is no capital gains tax in Western Samoa and any gains on disposal of shares in International Companies will not be subject to taxation.

**The above is only a guide to the general tax position as at the date of this document and is based on current legislation and Inland Revenue practice. If you are in any doubt as to your tax position or are subject to tax in a jurisdiction other than the United Kingdom, you should consult your own professional adviser.**

**10. Overseas shareholders**

(a) *General*

The making or acceptance of the proposed offer of new Ordinary Shares to or by persons resident in, or who are citizens of, countries other than the U.K. may be affected by the laws of the relevant jurisdiction. Such persons should consult their professional advisers as to whether they require any government or other consents or need to observe any other formalities to enable them to take up their rights. **It is the responsibility of all overseas shareholders receiving this document and/or a Provisional Allotment Letter and wishing to accept the offer of new Ordinary Shares to satisfy themselves as to full observance of the laws of the relevant territory, including obtaining all necessary governmental or other consents which may be required, observing all other formalities needing to be observed and paying any issue, transfer or other taxes due in such territory.**

No person receiving a copy of this document and/or a Provisional Allotment Letter in any territory other than the U.K. may treat the same as constituting an offer or invitation to him, nor should be in any event use such Provisional Allotment Letters, unless in the relevant territory such an invitation or offer could lawfully be made to him and such Provisional Allotment Letter could lawfully be used without contravention of any unfulfilled registration or other legal requirements. In such circumstances, this document (except for the notice for Extraordinary General Meeting set out at the end of this document) and/or a Provisional Allotment Letter is sent for information only.

In cases where new Ordinary Shares which are provisionally allotted to overseas Shareholders are not, or cannot be, taken up because of local securities laws, or in cases where such laws prevent the sending of Provisional Allotment Letters, the arrangements concerning rights not taken up referred to in paragraph 8 of this Part II will apply.

The Company reserves the right to treat as invalid any acceptance or purported acceptance of the allotment of new Ordinary Shares which appears to the Company or its agents to have been executed, effected or despatched in a manner which may involve a breach of the laws of any jurisdiction or if it believes or they believe that the same may

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violate applicable legal or regulatory requirements or if a Provisional Allotment Letter provides an address for delivery of definitive share certificates for new Ordinary Shares in any jurisdiction outside the U.K. in which it would be unlawful to deliver such share certificates.

(b) *United States and Canada*

The Provisional Allotment Letters and the new Ordinary Shares have not been and will not be registered under the United States Securities Act of 1933, as amended, or under the securities laws of any state of the United States and the relevant exemptions have not been and will not be obtained from the Securities Commission of any province of Canada. Accordingly, this document does not constitute an offer for, or an invitation to subscribe for or to purchase any new Ordinary Shares or any Provisional Allotment Letter, and unless otherwise determined by the Company in its sole discretion and effected in a lawful manner, neither the Provisional Allotment Letters nor the new Ordinary Shares may, directly or indirectly, be offered or sold, taken up, renounced or delivered within the United States or Canada or their respective territories or possessions. "United States" means the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia. "Canada" means the states and territories of the Dominion of Canada.

Accordingly, unless otherwise determined by the Company, in its sole discretion, no Provisional Allotment Letter will be sent to any Qualifying Shareholder whose registered address is in the United States or Canada or their territories or possessions. Provisional Allotment Letters which appear to the Company to have been sent from or which are postmarked in the United States or Canada will be deemed to be invalid and the Company will not be bound to authorise the delivery of any new Ordinary Shares in the United States or Canada or to any person who provides an address in the United States or Canada for receipt of share certificates or who fails to make the representations and warranties set out in the Provisional Allotment Letter to the effect that such person is not in the United States or Canada.

(c) *Australia*

No prospectus in relation to the new Ordinary Shares has been or will be lodged with, or registered by, the Australian Securities Commission. A person may not:

- (i) directly or indirectly offer for subscription or purchase, or issue an invitation to subscribe for or buy or sell, the new Ordinary Shares; or
- (ii) distribute any draft or definitive document in relation to any such offer, invitation or sale,

in the Commonwealth of Australia, its states, territories or possessions ("Australia") or to any resident of Australia (including corporations and other entities organised under the laws of Australia but not including a permanent establishment of such corporation or entity located outside Australia).

Accordingly, no Provisional Allotment Letter will be sent to Qualifying Shareholders with registered addresses in Australia.

(d) *Republic of Ireland*

No document in relation to new Ordinary Shares has been or will be lodged for registration with the Registrar of Companies in the Republic of Ireland. The Provisional

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Allotment Letter and the new Ordinary Shares may not be offered, sold, renounced or delivered in the Republic of Ireland. This document and the Provisional Allotment Letter will not be sent to shareholders who have registered addresses in the Republic of Ireland.

Envelopes containing Provisional Allotment Letters should not be postmarked in the Republic of Ireland or otherwise despatched from the Republic of Ireland and all subscribers for new Ordinary Shares must provide addresses outside the Republic of Ireland for the receipt of share certificates. Persons will be deemed to have declined their provisional allotments or the provisional allotments that have been renounced to them if they submit a Provisional Allotment Letter in an envelope postmarked in the Republic of Ireland, provide an address in the Republic of Ireland for receipt of share certificates or do not make the representation and warranty set out in the Provisional Allotment Letter to the effect that such person is not in the Republic of Ireland and is not acting on a non-discretionary basis for a person in the Republic of Ireland.

(e) *Other overseas territories*

Qualifying Shareholders resident in other overseas territories should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their rights.

All payments for new Ordinary Shares must be in pounds sterling in accordance with paragraph 4 above.

**11. General**

All documents and remittances in connection with the Rights Issue will be sent to or by the provisional allottees or their renouncees (or their agents, as appropriate) at the risk of the person(s) entitled thereto.

#### **NATURE OF FINANCIAL INFORMATION**

The financial information contained in this Part III has been extracted from the audited consolidated accounts of Golden Land Investments for the financial periods ended 31 March, 1997 without material adjustment.

The financial information contained in this section does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. Unqualified audit reports as defined by Section 235, and which did not contain a statement under Section 237(2) or (3) of the Companies Act 1985, have been given by the Company's auditors in respect of the consolidated accounts of Golden Land Investments and its subsidiary undertakings for the year ended 30 September, 1994 and two fifteen month periods ended 31 March, 1997 ("the Relevant Periods").

Accounts for the year ended 30 September, 1994 and the fifteen months ended 31 December, 1995 have been delivered to the Registrar of Companies. Full accounts for the fifteen months ended 31 March, 1997 will be filed with the Registrar of Companies by 31 October, 1997.

The consolidated accounts of Golden Land Investments and its subsidiary undertakings for the year ended 30 September, 1994 and fifteen months ended 31 December, 1995 were audited by Chantrey Vellacott, Chartered Accountants and Registered Auditors, of Russell Square House, 10-12 Russell Square, London, WC1B 5LF. The consolidated accounts for the fifteen months ended 31 March, 1997 were audited by Deloitte & Touche, Chartered Accountants and Registered Auditors, of Hill House, 1 Little New Street, London, EC4A 3TR.

## A. Consolidated profit and loss accounts

		Year ended 30 September, 1994 £'000	15 Months ended 31 December, 1995 £'000	15 Months ended 31 March, 1997 £'000
	Note			
<b>Turnover</b>	E.1, E.2			
Continuing operations		524	1,024	1,720
Acquisitions		—	—	382
Discontinued operations		<u>725</u>	<u>—</u>	<u>—</u>
		1,249	1,024	2,102
Cost of sales	E.2	<u>(962)</u>	<u>(887)</u>	<u>(1,599)</u>
<b>Gross profit</b>		287	137	503
Net operating expenses	E.2	<u>(507)</u>	<u>(564)</u>	<u>(688)</u>
Exceptional item	E.4	<u>(88)</u>	<u>—</u>	<u>—</u>
<b>Operating (loss)/profit</b>				
Continuing operations		(94)	(427)	(553)
Acquisitions		—	—	368
Discontinued operations		<u>(214)</u>	<u>—</u>	<u>—</u>
Operating loss	E.5	(308)	(427)	(185)
Profit on disposal of discontinued operations		<u>57</u>	<u>1</u>	<u>—</u>
<b>Loss on ordinary activities before interest</b>		(251)	(426)	(185)
Interest receivable		—	—	60
Interest payable and similar charges	E.7	<u>(10)</u>	<u>(7)</u>	<u>(207)</u>
<b>Loss on ordinary activities before taxation</b>		(261)	(433)	(332)
Tax on loss on ordinary activities	E.8	<u>—</u>	<u>—</u>	<u>(24)</u>
<b>Loss on ordinary activities after taxation and retained loss for the period</b>		<u>(261)</u>	<u>(433)</u>	<u>(356)</u>
Loss per ordinary share	E.9	(10.4p)	(17.3p)	(1.9p)
Dividend per ordinary share		—	—	—

## Statement of total recognised gains and losses

	Year ended 30 September, 1994 £'000	15 Months ended 31 December, 1995 £'000	15 Months ended 31 March, 1997 £'000
Loss for the financial period	(261)	(433)	(356)
(Deficit)/surplus on revaluation of investment property	(102)	52	1,403
Exchange differences on revaluation of overseas operations	<u>—</u>	<u>—</u>	<u>(165)</u>
<b>Total recognised (losses)/gains for the period</b>	<u>(363)</u>	<u>(381)</u>	<u>882</u>

## B. Consolidated balance sheets

	Note	As at 30 September, 1994 £'000	As at 31 December, 1995 £'000	As at 31 March, 1997 £'000
<b>Fixed assets</b>				
<b>Tangible assets</b>				
Property held for future development	E.11	—	—	297
Investment properties	E.12	140	192	7,662
Other tangible fixed assets	E.13	19	69	432
Investments	E.14	—	—	752
		<u>159</u>	<u>261</u>	<u>9,143</u>
<b>Current assets</b>				
Properties held for sale		—	—	590
Development in progress	E.15	—	—	1,434
Stocks	E.16	27	—	—
Debtors	E.17	315	344	1,602
Cash at bank and in hand		<u>2</u>	<u>12</u>	<u>657</u>
		344	356	4,283
<b>Creditors: amounts falling due within one year</b>	E.18	<u>(264)</u>	<u>(278)</u>	<u>(4,465)</u>
<b>Net current assets/(liabilities)</b>		<u>80</u>	<u>78</u>	<u>(182)</u>
<b>Total assets less current liabilities</b>		239	339	8,961
<b>Creditors: amounts falling due after more than one year</b>	E.19	—	(481)	(1,247)
<b>Minority interest</b>		<u>—</u>	<u>—</u>	<u>(77)</u>
<b>Total net assets</b>		<u>239</u>	<u>(142)</u>	<u>7,637</u>
<b>Capital and reserves</b>				
Called up share capital	E.21	250	250	3,272
Reserves	E.22	<u>(11)</u>	<u>(392)</u>	<u>4,365</u>
<b>Equity shareholders' funds</b>		<u>239</u>	<u>(142)</u>	<u>7,637</u>

**C. Consolidated cash flow statements**

	Note	Year ended 30 September, 1994 £'000	15 Months ended 31 December, 1995 £'000	15 Months ended 31 March, 1997 £'000
<b>Net cash outflow from operating activities</b>	1	<u>(93)</u>	<u>(423)</u>	<u>(1,169)</u>
<b>Returns on investments and servicing of finance</b>				
Interest received		—	—	60
Interest paid		<u>(10)</u>	<u>(7)</u>	<u>(207)</u>
<b>Net cash outflow from returns on investments and servicing of finance</b>		<u>(10)</u>	<u>(7)</u>	<u>(147)</u>
<b>Taxation</b>		<u>—</u>	<u>—</u>	<u>(21)</u>
<b>Capital expenditure and financial investment</b>				
Purchase of fixed assets		(17)	(83)	(291)
Sale of investment properties		—	—	809
Sale of other fixed assets		25	5	1
Investment in joint venture		<u>—</u>	<u>—</u>	<u>(753)</u>
<b>Net cash inflow/(outflow) from capital expenditure and financial investment</b>		<u>8</u>	<u>(78)</u>	<u>(234)</u>
<b>Acquisitions and disposals</b>				
Purchase of subsidiary undertakings		—	—	(300)
Costs of reorganisation and acquisition		—	—	(533)
Sale of subsidiary undertaking and discontinued operations		131	1	—
Costs of sale of discontinued operations		<u>(74)</u>	<u>—</u>	<u>—</u>
<b>Net cash inflow/(outflow) from acquisitions and disposals</b>		<u>57</u>	<u>1</u>	<u>(833)</u>
<b>Net cash outflow before use of liquid resources and financing</b>		<u>(38)</u>	<u>(507)</u>	<u>(2,404)</u>
<b>Financing</b>				
Net proceeds from issue of share capital		—	—	1,348
Loan from minority interest		—	—	76
Increase in short term borrowings		—	—	553
Increase in long term borrowings		<u>—</u>	<u>481</u>	<u>70</u>
<b>Net cash inflow from financing</b>		<u>—</u>	<u>481</u>	<u>2,047</u>
<b>Decrease in cash in the period</b>		<u>(38)</u>	<u>(26)</u>	<u>(357)</u>

Reconciliation of net cash outflow to movement in net debt

	Year ended 30 September, 1994 £'000	15 Months ended 31 December, 1995 £'000	15 Months ended 31 March, 1997 £'000
Decrease in cash in the period	(38)	(26)	(357)
Cash inflow from increase in debt	—	(481)	(698)
Change in net debt resulting from cash flows and movement in net debt for the period	(38)	(507)	(1,055)
Net debt acquired with purchase of subsidiaries	—	—	(321)
Non-cash transactions	—	—	(1,247)
Movement in net debt for the period	(38)	(507)	(2,623)
Net debt at beginning of period	(48)	(86)	(593)
Net debt at end of period	(86)	(593)	(3,216)

Notes to the cash flow statements

1. Reconciliation of operating loss to net cash outflow from operating activities

	Year ended 30 September, 1994 £'000	15 Months ended 31 December, 1995 £'000	15 Months ended 31 March, 1997 £'000
Operating loss for the period	(308)	(427)	(185)
Depreciation	16	25	41
Permanent diminution in value of fixed assets	—	—	35
Loss/(profit) on disposal of tangible fixed assets	50	3	(225)
(Increase)/decrease in stocks	(1)	27	—
Decrease/(increase) in debtors	622	(29)	(495)
Decrease in creditors	(472)	(22)	(393)
Foreign exchange difference	—	—	53
Net cash outflow from operating activities	(93)	(423)	(1,169)

## 2. Analysis of net debt

	Cash at bank and in hand £'000	Borrowings due within one year £'000	Borrowings due after more than one year £'000	Net borrowings £'000
At 1 October, 1993	1	(49)	—	(48)
Cash flow	<u>1</u>	<u>(39)</u>	<u>—</u>	<u>(38)</u>
At 1 October, 1994	2	(88)	—	(86)
Cash flow	<u>10</u>	<u>(36)</u>	<u>(481)</u>	<u>(507)</u>
At 1 January, 1996	12	(124)	(481)	(593)
Cash flow	(357)	(1,103)	405	(1,055)
Acquisitions in the period	1,002	(1,323)	—	(321)
Other non-cash changes	—	—	(1,247)	(1,247)
At 31 March, 1997	<u>657</u>	<u>(2,550)</u>	<u>(1,323)</u>	<u>(3,216)</u>

## 3. Major non-cash transactions

The consideration for the purchases of subsidiary undertakings that occurred during the 15 month period ended 31 March, 1997 comprised shares and a loan note as detailed in note E.10 to the financial information. Further details of the acquisitions are set out in note 4 to the cash flow statements.

## 4. Purchase of subsidiary undertakings

	15 Months ended 31 March, 1997 £'000
Fixed assets	6,968
Development in progress	1,434
Property held for future development	291
Properties held for resale	609
Debtors	754
Tax recoverable	32
Cash at bank and in hand	1,002
Creditors	(2,004)
Taxation	(136)
Bank borrowings	<u>(1,323)</u>
	7,627
Goodwill	<u>402</u>
	<u>8,029</u>
Satisfied by:	
Shares allotted	5,949
Issue of loan note	1,247
Cash	<u>300</u>
	7,496
Costs of reorganisation and acquisition satisfied by cash	<u>533</u>
	<u>8,029</u>

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#### **D. Statement of accounting policies**

The principal accounting policies adopted by Golden Land Investments PLC in the preparation of the financial information throughout the periods under review are as follows:

##### **(a) Accounting Convention**

The financial information is prepared under the historical cost convention as modified by the revaluation of investment properties in accordance with applicable UK Accounting Standards.

##### **(b) Turnover**

Turnover represents amounts earned in respect of contracts and development work executed in the period in the ordinary course of business with third parties and rental income from investment properties, net of value added tax.

##### **(c) Depreciation**

Depreciation is provided on tangible fixed assets, at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Electronic equipment	25%	reducing balance
Fixtures, fittings and equipment	15%	reducing balance
Plant and equipment	25%	reducing balance
Motor vehicles	25%	reducing balance from the month following the month of purchase
Land		Not depreciated

##### **(d) Investment Properties**

Investment properties are shown at open market valuation.

In accordance with SSAP 19, investment properties are revalued at each balance sheet date. Any deficit arising on revaluation which is judged to be permanent is charged to the profit and loss account. Any deficit which is not judged to be permanent or any surplus arising on revaluation is transferred to the revaluation reserve. No depreciation is provided in respect of investment properties.

The Companies Act ("the Act") 1985 requires all properties to be depreciated. However, this requirement conflicts with the generally accepted accounting principle set out in SSAP 19. The Directors consider that, as these properties are not held for consumption, but for their investment potential, to depreciate them would not give a true and fair view, and that it is necessary to adopt SSAP 19 in order to give a true and fair view.

If this departure from the Act had not been made, the loss for the financial period would have been increased by depreciation. However, the amount of depreciation cannot reasonably be quantified because depreciation is only one of many factors reflected in the periodic valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

##### **(e) Property held for future development**

Property held for future development is stated at cost less any provisions considered necessary.

##### **(f) Properties held for sale**

Properties held for sale are stated at the lower of cost and net realisable value. Cost comprises the cost of the land together with direct costs attributable to the development of the properties, professional fees and interest charges capitalised during the period of development. Net realisable value is calculated as the estimated selling price less all costs to completion, if applicable, and costs of marketing and selling.

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**(g) Development in progress**

The development in progress is shown as a current asset and is valued at the lower of cost and net realisable value.

**(h) Deferred taxation**

Deferred taxation is provided at the anticipated tax rates on timing differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

**(i) Pensions**

The Company participates in two defined contribution pension schemes, the assets of which are held in an independently administered fund. Contributions to the schemes are charged to the profit and loss account as they become payable.

**(j) Basis of consolidation**

The consolidated financial information consolidates the financial information of the Company and its subsidiaries using the acquisition method of accounting.

**(k) Foreign exchange**

Foreign currency transactions are translated into sterling at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the period end are translated into sterling at the rates ruling on that date. Profits and losses arising on translation are dealt with in the profit and loss account.

Balance sheets of foreign undertakings are translated into sterling at the closing rates of exchange and profit and loss accounts are translated at the average rates of exchange for the period. Differences arising on translation are taken direct to reserves.

## E. Notes to the Financial Information

### E.1 Segmental analysis

The turnover, loss before taxation and net assets attributable to the different classes of the Group's business are:

	Year ended 30 September, 1994		15 Months ended 31 December, 1995		15 Months ended 31 March, 1997	
	Turnover £'000	Loss before interest £'000	Turnover £'000	Loss before interest £'000	Turnover £'000	Loss before interest £'000
Property development	518	(100)	1,009	(442)	1,719	(217)
Property investment	6	6	15	15	383	32
Discontinued operations	<u>725</u>	<u>(214)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>1,249</u>	(308)	<u>1,024</u>	(427)	<u>2,102</u>	(185)
Profit on disposal of discontinued operations		57		1		—
Interest receivable		—		—		60
Interest payable and similar charges		<u>(10)</u>		<u>(7)</u>		<u>(207)</u>
Loss on ordinary activities before taxation		<u>(261)</u>		<u>(433)</u>		<u>(332)</u>

Net assets by class of business	At 30 September, 1994 £'000	At 31 December, 1995 £'000	At 31 March, 1997 £'000
Property development	99	(334)	(472)
Property investment	<u>140</u>	<u>192</u>	<u>8,109</u>
	<u>239</u>	<u>(142)</u>	<u>7,637</u>

Geographical analysis of turnover by region:

			Year ended 30 September, 1994	15 Months ended 31 December, 1995		15 Months ended 31 March, 1997	
	Discontinued Operations £'000	Continuing Operations £'00	Total £'000	Continuing Operations £'000	Acquisitions £'000	Continuing Operations £'000	Total £'000
UK	725	524	1,249	1,024	143	1,720	1,863
Hong Kong	—	—	—	—	117	—	117
People's Republic of China	—	—	—	—	122	—	122
	<u>725</u>	<u>524</u>	<u>1,249</u>	<u>1,024</u>	<u>382</u>	<u>1,720</u>	<u>2,102</u>

E.2 Analysis of turnover, cost of sales and net operating expenses

			Year ended 30 September, 1994	15 Months ended 31 December, 1995		15 Months ended 31 March, 1997	
	Discontinued Operations £'000	Continuing Operations £'00	Total £'000	Continuing Operations £'000	Acquisition £'000	Continuing Operations £'000	Total £'000
Turnover	725	524	1,249	1,024	382	1,720	2,102
Cost of sales	(381)	(581)	(962)	(887)	(70)	(1,529)	(1,599)
Gross profit	<u>344</u>	<u>(57)</u>	<u>287</u>	<u>137</u>	<u>312</u>	<u>191</u>	<u>503</u>
Net operating expenses:							
Distribution costs	(31)	(75)	(106)	(53)	—	(37)	(37)
Administration expenses	(205)	(196)	(401)	(511)	(255)	(748)	(1,003)
Other income (Note E.6)	—	—	—	—	312	40	352
	<u>(236)</u>	<u>(271)</u>	<u>(507)</u>	<u>(564)</u>	<u>57</u>	<u>(745)</u>	<u>(688)</u>

### E.3 Staff costs

The remuneration and average weekly number of employees (including Directors) during the period was as follows:

	Year ended 30 September, 1994 Number	15 Months ended 31 December, 1995 Number	15 Months ended 31 March, 1997 Number
Management office	15	10	15
Other	<u>7</u>	<u>—</u>	<u>15</u>
	<u>22</u>	<u>10</u>	<u>30</u>
Staff costs (for above employees)			
	£'000	£'000	£'000
Wages and salaries	342	197	349
Social security costs	28	18	29
Other pension costs	<u>2</u>	<u>6</u>	<u>9</u>
	<u>372</u>	<u>221</u>	<u>387</u>
Directors' emoluments			
Remuneration including pension contributions	<u>60</u>	<u>49</u>	<u>178</u>

Details of the remuneration paid to Directors and their interests in the shares of the Company are as follows:

	Total for 15 Months ended 31 December, 1995 £	Salary and fees £	Taxable benefits £	Pension contributions £	Total for 15 Months ended 31 March, 1997 £
S H J A Knott	6,250	13,250	—	—	13,250
D G Sparrow (resigned 25 July, 1996)	6,750	—	—	—	—
D F T Wong	35,585	76,875	8,565	7,688	93,128
D A Collins	—	36,800	—	1,775	38,575
D R Wardell	—	16,667	—	—	16,667
K G Goldstein-Jackson	—	8,000	—	—	8,000
P C N Tam	—	8,614	—	—	8,614
	<u>48,585</u>	<u>160,206</u>	<u>8,565</u>	<u>9,463</u>	<u>178,234</u>

No other Directors received any emoluments during the 15 month period ended 31 December, 1995 or the 15 month period ended 31 March, 1997.

The Directors' interests in the shares of the Company were as follows:

	Ordinary Shares 31 December, 1995	Warrants 31 December, 1995	Ordinary Shares 31 March, 1997	Warrants 31 March, 1997
S H J A Knott	5,000	—	17,857	5,000
K G Goldstein-Jackson	2,500	—	12,500	12,500
D M T Ip	485,875	—	485,875	485,875
P C N Tam	—	—	5,600	—

10,000 ordinary shares and 10,000 warrants are held through Whittlesfield Nominees Limited on behalf of Mr. Goldstein-Jackson's personal pension scheme.

Quest Gold Limited holds 747,500 ordinary shares in Golden Land Investments PLC. Mr. Ip is a director of Quest Gold Limited and is interested in those shares.

Mr. Tam is deemed to be interested, by virtue of his wife's holding, in 5,600 shares in the Company.

#### Share Option Scheme

The Company's ultimate holding company, Gold-Face Holdings Limited has a share option scheme to enable the directors of Gold-Face Holdings Limited to offer to employees, including directors of Gold-Face Holdings Limited or any of its subsidiaries, options to subscribe for shares in Gold-Face Holdings Limited. Options granted are exercisable during the ten year period commencing six months after the date of grant up to the close of business on the last day of the ten year period. The subscription price of the option shares is the higher of the nominal value of the shares and an amount which is not less than 80 per cent. of the average of the last dealt prices of the shares on the five trading days immediately preceding the offer of the option.

During the period no options have been granted to the Directors of the Company.

#### E.4 Exceptional item

The charge for 1994 related to exceptional administration costs in respect of an agreement to cease trading in the Fineline partitioning system, which formerly comprised the business of Waterhouse Licensed Products Limited (now a dormant subsidiary company).

#### E.5 Operating loss

	Year ended 30 September, 1994 £'000	15 Months ended 31 December, 1995 £'000	15 Months ended 31 March, 1997 £'000
This is stated after charging:			
Depreciation of tangible fixed assets	16	25	41
Loss on sale of tangible fixed assets	50	2	—
Permanent diminution in value of fixed assets	—	—	35
Auditors' remuneration — audit	18	10	26
— other services	—	—	4
Hire of — plant and equipment	14	13	14
— other	34	11	17

#### E.6. Other income

	Year ended 30 September, 1994 £'000	15 Months ended 31 December, 1995 £'000	15 Months ended 31 March, 1997 £'000
Management fees	—	—	40
Consultancy fees	—	—	56
Profit on sale of investment properties	—	—	225
Gain from exchange on foreign currencies	—	—	31
	<u>—</u>	<u>—</u>	<u>352</u>

#### E.7 Interest payable and similar charges

	Year ended 30 September, 1994 £'000	15 Months ended 31 December, 1995 £'000	15 Months ended 31 March, 1997 £'000
Repayable within five years:			
Bank overdraft and loans	10	7	139
Other loans	<u>—</u>	<u>—</u>	<u>68</u>
	<u>10</u>	<u>7</u>	<u>207</u>

#### E.8 Tax on loss on ordinary activities

	Year ended 30 September, 1994 £'000	15 Months ended 31 December, 1995 £'000	15 Months ended 31 March, 1997 £'000
U.K. Income tax	—	—	33
Overseas tax	—	—	(9)
	<u>—</u>	<u>—</u>	<u>24</u>

The Group suffers U.K. income tax on U.K. rental income at a rate of 25 per cent.

#### E.9 Loss per share

The calculation of the loss per share is based on a loss of £355,783 (1995: loss of £432,776; 1994: loss of £261,056) being the consolidated loss after taxation and 18,619,618 (1995: 2,500,000; 1994: 2,500,000) fully paid ordinary shares being the average number in issue during the period.

#### E.10 Acquisitions

During the 15 months ended 31 March, 1997 the entire share capitals of the following companies were acquired, together with their subsidiary undertakings:

Company	Date of Acquisition
Euro-Asia Property Limited	31 July, 1996
Golden Realty Limited	31 July, 1996
37 Hill Street Limited	20 January, 1997

These acquisitions have been accounted for by the acquisition method of accounting.

The following table explains the adjustments made to the book value of the major category of assets and liabilities acquired to arrive at the fair values included in the consolidated financial information at the date of acquisition. The cash flow effects of the acquisitions are given in note 4 to the cashflow statement.

	<b>Euro-Asia Property Limited £'000</b>	<b>Golden Realty Limited £'000</b>	<b>37 Hill Street Limited £'000</b>
Fixed assets	4,706	2,262	—
Development in progress	—	—	1,433
Property for future development	291	—	—
Properties held for sale	—	609	—
Debtors	95	659	—
Tax recoverable	—	33	—
Cash at bank and in hand	353	648	—
Creditors	(849)	(21)	(1,133)
Taxation	(124)	(12)	—
Bank borrowing	(721)	(602)	—
Fair value to the Group after revaluation	<u>3,751</u>	<u>3,576</u>	<u>300</u>
Consideration for acquisitions	3,700	3,495	300
Costs of reorganisation	<u>274</u>	<u>260</u>	<u>—</u>
	<u>3,974</u>	<u>3,755</u>	<u>300</u>
Goodwill on acquisition	<u>223</u>	<u>179</u>	<u>—</u>

Euro-Asia Property Limited was acquired for a consideration of £3,700,231, satisfied by the issue of 14,800,924 new ordinary shares in Golden Land Investments PLC at 25p per share.

Golden Realty Limited was acquired for a consideration of £3,495,401, satisfied by the issue of 8,994,789 new ordinary shares in Golden Land Investments PLC at 25p per share and the issue of a loan note from Golden Land Investments PLC of £1,246,704.

37 Hill Street Limited was acquired for a consideration of £300,000 satisfied by cash settlement.

Additional costs of reorganisation totalling £535,215 have been capitalised as costs of the investments.

Goodwill arising on acquisition totalling £401,807 has been written off to reserves.

### E.11 Property held for future development

	£'000
<b>Cost</b>	
At 1 January, 1996	—
Acquired	297
At 31 March, 1997	<u>297</u>

The property held for future development relates to land held by Ever Prospect Limited in the People's Republic of China.

### E.12 Investment properties

	Freehold £'000	Long Leasehold £'000	Total £'000
<b>Cost</b>			
At 1 October, 1994 and 31 December, 1995	97	—	97
Acquired during the period	1,055	5,776	6,831
Disposals	—	(584)	(584)
At 31 March, 1997	<u>1,152</u>	<u>5,192</u>	<u>6,344</u>
<b>Valuation</b>			
At 1 October, 1994	140	—	140
Revaluation	52	—	52
At 31 December, 1995	192	—	192
Acquired during the period	1,055	5,776	6,831
Revaluation	19	1,383	1,402
Currency adjustments	—	(179)	(179)
Disposals	—	(584)	(584)
At 31 March, 1997	<u>1,266</u>	<u>6,396</u>	<u>7,662</u>

The freehold investment properties were valued by Allsop, Chartered Surveyors on 3 April, 1997 and S Kershaw & Sons, Chartered Surveyors on 4 April, 1997. The freehold investment property at Nunswood Park was valued by Chesterton, Chartered Surveyors on 9 April, 1997.

The long leasehold investment properties held in the U.K. were valued by Chesterton, Chartered Surveyors on 8 April, 1997.

The long leasehold investment properties held in Hong Kong and the People's Republic of China by Admiralty Star Enterprises Ltd., Magpies Company Ltd and Ever Prospect Ltd were valued by Messrs. Sallmanns (Far East) Ltd on 31 March, 1997.

All valuations were carried out at open market valuation on the basis of existing use.

No tax would be payable in the U.K. on the potential gains arising were the properties to be sold at valuation as the investment properties subject to upward revaluations are held in subsidiaries which are non-resident for U.K. tax purposes. Furthermore, no overseas tax has been provided in these subsidiaries in respect of the valuation surpluses as the properties are held for long term investment purposes.

#### E.13 Other tangible fixed assets

	Fixtures, Fittings, Plant & Equipment £'000	Motor Vehicles £'000	Total £'000
<b>Cost</b>			
At 30 September, 1994	26	12	38
Additions	63	18	81
Disposals	—	(12)	(12)
At 31 December, 1995	89	18	107
Additions	242	31	273
Acquisitions	111	27	138
Disposals	—	—	—
Currency adjustments	(6)	(1)	(7)
At 31 March, 1997	<u>436</u>	<u>75</u>	<u>511</u>
<b>Depreciation</b>			
At 30 September, 1994	15	4	19
Charge for the period	19	5	24
On disposals	—	(5)	(5)
At 31 December, 1995	34	4	38
Charge for period	29	13	42
Currency adjustments	(1)	—	(1)
At 31 March, 1997	<u>62</u>	<u>17</u>	<u>79</u>
<b>Net Book Value</b>			
At 31 March, 1997	<u>374</u>	<u>58</u>	<u>432</u>
At 31 December, 1995	<u>55</u>	<u>14</u>	<u>69</u>
At 30 September, 1994	<u>11</u>	<u>8</u>	<u>19</u>

#### E.14 Fixed asset investments

	£'000
At 1 January, 1996	—
Acquired during the period	<u>752</u>
At 31 March, 1997	<u>752</u>

The fixed asset investment represents the Group's interest in a co-operative joint venture agreement with a third party to develop an electricity power generation plant in the People's Republic of

China. Pursuant to the agreement, the operating period of the joint venture is 16 years commencing from the issuance of the business licence. The Group is committed to contribute a total amount of RMB15,000,000 in the form of cash, representing 55 per cent. of the registered capital. However, in accordance with the agreement, the Group is not in a position to control the board of directors of the joint venture. Under a supplementary agreement, when the power generation plant commences production and operation, the joint venture partner will repay to the Group the amount contributed by two equal annual instalments of RMB7,500,000. From the third year of production and operation up to the fifteenth year, the Group will be entitled to a pre-determined share of the operating profit or a minimum return as set out in the contractual joint venture agreement, whichever is the larger. On expiration of the contractual joint venture agreement, the Group will not be entitled to any assets or be responsible for any liabilities of the joint venture.

The power generation plant had not commenced operations at 31 March, 1997.

#### E.15 Development in progress

	As at 30 September, 1994 £'000	As at 31 December, 1995 £'000	As at 31 March, 1997 £'000
Development at 37 Hill St.	<u>—</u>	<u>—</u>	<u>1,434</u>

#### E.16 Stocks

	As at 30 September, 1994 £'000	As at 31 December, 1995 £'000	As at 31 March, 1997 £'000
Raw materials	<u>27</u>	<u>—</u>	<u>—</u>

#### E.17 Debtors

	As at 30 September, 1994 £'000	As at 31 December, 1995 £'000	As at 31 March, 1997 £'000
Due within one year:			
Trade debtors	47	67	201
Amounts recoverable on contracts	48	184	175
Tax recoverable	—	—	41
Other debtors	168	36	1,085
Prepayments	<u>7</u>	<u>17</u>	<u>65</u>
	270	304	1,567
Due after one year:			
Advance corporation tax	25	25	25
Other debtors	<u>20</u>	<u>15</u>	<u>10</u>
	<u>315</u>	<u>344</u>	<u>1,602</u>

**E.18 Creditors: amounts falling due within one year**

	As at 30 September, 1994 £'000	As at 31 December, 1995 £'000	As at 31 March, 1997 £'000
Bank overdrafts	88	124	714
Bank loans	—	—	1,837
Trade creditors	56	57	294
Amounts owed to fellow subsidiary	—	—	112
Other taxes and social security costs	9	5	26
Other creditors	111	62	1,169
Accruals	—	30	179
Taxation	—	—	134
	<u>264</u>	<u>278</u>	<u>4,465</u>

The bank loans and overdrafts are held by Magpies Company Limited, Goldface Limited, Modalmas Limited and Ever Prospect Limited.

The bank loan held by Magpies Company Limited bears interest at market rates and is secured on investment properties held in that company. It is repayable by consecutive monthly instalments of HK\$139,092 inclusive of interest.

The bank loan held by Ever Prospect Limited is secured on investment properties held in that company. It is repayable by consecutive monthly instalments of HK\$171,224 inclusive of interest at the rate of 11 per cent. per annum.

The bank loans held by Goldface Limited and Modalmas Limited bear interest at 1.5 per cent. above Hongkong and Shanghai Banking Corporation Limited's base rate. They are each secured by the corporate guarantee of Golden Land Investments PLC for £700,000, the personal guarantee of Mr. Kuen Tai, a director of Golden Land Investments PLC, and investment properties held in those companies.

The bank loan held by Modalmas Limited is repayable by fixed monthly instalments inclusive of interest commencing on 31 October, 1998. The balance of the loan still outstanding on 31 October, 2001 is repayable at that date. The bank loan held by Goldface Limited is repayable by fixed quarterly instalments inclusive of interest, commencing on 31 January, 1999. The balance of the loan still outstanding at 31 October, 2001 is repayable at that date. Notwithstanding the bank's intention not to call for repayment of these loans before the due dates, the loans are repayable on demand and therefore have been classified as falling due within one year.

#### E.19 Creditors: amounts falling due after more than one year

	As at 30 September, 1994 £'000	As at 31 December, 1995 £'000	As at 31 March, 1997 £'000
Amount due to shareholders	—	481	—
Amount due to parent company	—	—	1,247
	—	481	1,247

The amount due to shareholders was in respect of a loan due to Quest Gold Limited which was repaid in the period.

The amount due to the parent company is in respect of a loan note issued by Golden Land Investments PLC to Gold-Face Holdings Limited for the acquisition of Golden Realty Limited. The loan bears interest at 2 per cent. above LIBOR and the parent company has confirmed that repayment will not be demanded on or before 1 April, 1998.

#### E.20 Financial commitments

##### (i) Operating leases

The Group had commitments to make the following payments during the next year in respect of operating leases as follows:

	Land & Buildings			Equipment and Motor vehicles			Total		
	30/9/94 £'000	31/12/95 £'000	31/3/97 £'000	30/9/94 £'000	31/12/95 £'000	31/3/97 £'000	30/9/94 £'000	31/12/95 £'000	31/3/97 £'000
Operating leases which expire:									
Within one year	—	—	—	—	5	—	—	5	—
In the second to fifth years	—	—	3	10	2	10	10	2	13
After five years	4	34	30	—	4	—	4	38	30

##### (ii) Pension contributions

The Group has two pension schemes for two Directors administered by an insurance company which operate on a "money-purchase" basis. Contributions to these schemes are agreed between the member and the Company, and charged to the profit and loss account for the period to which they relate. During the 15 month period ended 31 March, 1997, contributions totalled £9,463 (1995 — £5,688; 1994 — £2,213) There are no commitments in respect of pensions for other employees, who are encouraged to make their own provisions for retirement.

##### (iii) Capital commitments

Capital expenditure of £395,502 had been contracted for at 31 March, 1997 but not provided in the financial information (1995 — £nil; 1994 — £nil).

(iv) **Other commitments**

Bank deposits of HK\$5,446,733 (1995 — HK\$nil; 1994 — HK\$nil) are pledged to banks for banking facilities granted to customers to finance the acquisition of properties from Admiralty Star Enterprises Limited.

Admiralty Star Enterprises Limited has also pledged all of its assets, properties and undertakings as security for banking facilities granted to that company.

**E.21 Called up share capital**

	As at 30 September, 1994		As at 31 December, 1995		As at 31 March, 1997	
	Number of shares	£'000	Number of shares	£'000	Number of shares	£'000
<b>Authorised</b>						
Ordinary shares of 10p each	<u>5,000,000</u>	<u>500</u>	<u>5,000,000</u>	<u>500</u>	<u>50,000,000</u>	<u>5,000</u>
<b>Called up, allotted and fully paid</b>						
Ordinary shares of 10p each	<u>2,500,000</u>	<u>250</u>	<u>2,500,000</u>	<u>250</u>	<u>32,724,284</u>	<u>3,272</u>

30,224,284 shares were issued on 31 July, 1996. 23,795,713 shares were issued in respect of the acquisition of Euro-Asia Property Limited and Golden Realty Limited. 6,428,571 shares were issued to provide additional working capital to the Group. The shares rank *pari passu* with the existing shares, and were issued at a price of 25p each.

2,500,000 warrants were issued on 31 July, 1996 as a bonus issue to existing shareholders. The warrants carry the right to subscribe for new ordinary shares in the proportion of one new ordinary share for every warrant held, at a subscription price of 30p per ordinary share, subject to adjustment, in respect of each exercise period in the three years ending 30 June, 1999, and at a price of 45p per ordinary share, subject to adjustment, in respect of each exercise period in the two years ending 30 June, 2001.

## E.22 Reserves

	Share Premium (net of expenses) £'000	Revaluation Reserve £'000	Profit and Loss Account £'000	Total £'000
At 30 September, 1993	456	102	(206)	352
Retained loss for the year	—	—	(261)	(261)
Deficit on revaluation of investment properties	—	(102)	—	(102)
At 30 September, 1994	456	—	(467)	(11)
Retained loss for the period	—	—	(433)	(433)
Surplus on revaluation of investment properties	—	52	—	52
At 31 December, 1995	456	52	(900)	(392)
Retained loss for the period	—	—	(356)	(356)
Surplus arising on revaluation of fixed assets	—	1,402	—	1,402
Goodwill arising on acquisitions	—	—	(402)	(402)
Exchange difference arising from translation of overseas operations	—	—	(164)	(164)
Premium arising from issue of shares	4,277	—	—	4,277
At 31 March, 1997	<u>4,733</u>	<u>1,454</u>	<u>(1,822)</u>	<u>4,365</u>

## E.23 Reconciliation of movement in shareholders' funds

	Year ended 30 September, 1994 £'000	15 Months ended 31 December, 1995 £'000	15 Months ended 31 March, 1997 £'000
Loss for the financial period	(261)	(433)	(356)
Revaluation reserve	(102)	52	1,402
Issue of shares	—	—	3,022
Premium on issue of shares	—	—	4,277
Goodwill arising on acquisitions	—	—	(402)
Exchange difference arising from translation of overseas operations	—	—	(164)
Net (decrease)/increase in shareholders' funds	(363)	(381)	7,779
Opening shareholders' funds	<u>602</u>	<u>239</u>	<u>(142)</u>
Closing shareholders' funds	<u>239</u>	<u>(142)</u>	<u>7,637</u>

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#### E.24 Related party transactions

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Golden Land Investments PLC Intercompany transactions	15 Months ended 31 March, 1997 £'000
Payment of loan note interest payable to Wisearn Limited a wholly owned subsidiary of Gold-Face Holdings Limited	(68)
Payment of management charges to Gold-Face Enterprises Limited, a subsidiary of Gold-Face Holdings Limited	(37)
Payment for rent of offices in Hong Kong to Gold-Face Enterprises Limited	(8)
Repayment of loan from Quest Gold Limited and payments of interest on loan at LIBOR plus 2 per cent.	(582)

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Derek Wardell is a director of the Company and also a partner of S Kershaw & Sons, a firm of Chartered Surveyors based in Manchester. S Kershaw & Sons are managing agents of Modalmas Limited whose assets include the Connaught Building. Fees paid to S Kershaw & Sons in respect of the ongoing management of this investment property to 31 March, 1997 amounted to £3,481. S. Kershaw & Sons were also employed to value the freehold properties (see note E.12).

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Golden Realty Group Intercompany transactions	From 1 August, 1996 to 31 March, 1997 £'000
Rental income received by Admiralty Star Enterprises Limited from Gold-Face Enterprises Limited	4
Consultancy income received by Magpies Company Limited from Gold-Face Enterprises Limited	51
Rental income received by Magpies Company Limited from Gold-Face Enterprises Limited	40
Management fees paid to Gold-Face Enterprises Limited by Magpies Company Limited	(9)
Management fees paid to Gold-Face Enterprises Limited by Admiralty Star Enterprises Limited	(6)
Management fees paid to Cherub Limited by Admiralty Star Enterprises Limited	(1)
Transfer of properties held for future development to Gold-Face Enterprises Limited by Admiralty Star Enterprises Limited	8

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Euro Asia Property Group Intercompany transactions	From 1 August, 1996 to 31 March, 1997 £'000
Rental income received by Ever Prospect Limited from Gold-Face (Restaurant Group) Limited	20
Management fees paid to Gold-Face Enterprises Limited by Ever Prospect Limited	(7)

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#### **E.25 Ultimate parent company**

The ultimate parent company is Gold-Face Holdings Limited, a company incorporated in Bermuda.

Gold-Face Holdings Limited is jointly controlled by Questrole Profits Limited, Propertyline Properties Limited, Value Consultants Limited and Oodless Investment Limited.

Both Questrole Profits Limited and Propertyline Properties Limited are companies beneficially owned by a discretionary trust, the discretionary objects of which include Mr. Chi Wah Tai, who is a director of Gold-Face Holdings Limited, and his family members (the "Tai Family").

Oodless Investment Limited is controlled by certain members of the Tai Family including Madam Seow Yoke Peng Tai who is a director of both Oodless Investment Limited and Gold-Face Holdings Limited.

In addition, Quest Gold Limited holds a significant interest in Golden Land Investments PLC and is in turn controlled by Questrole Profits Limited and Mr. David Ip, a director of Golden Land Investments PLC.

The consolidated accounts of the ultimate parent company are available in Hong Kong.

#### NATURE OF FINANCIAL INFORMATION

Goldline Properties was incorporated on 6 June, 1996.

The financial information contained in this Part IV has been extracted from the accounts of Goldline Properties for the period from 6 June, 1996 to 31 March, 1997, without material adjustment.

The financial information contained in this section does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. An unqualified audit report as defined by Section 235, and which did not contain a statement under Section 237(2) or (3) of the Companies Act 1985, has been given by the auditors to Goldline Properties in respect of the accounts for the period from 6 June, 1996 to 31 March, 1997.

Accounts for the period from 6 June, 1996 to 31 March, 1997 will be filed with the Registrar of Companies by 31 January, 1998.

The accounts for the period from 6 June, 1996 to 31 March, 1997 were audited by Deloitte & Touche, Chartered Accountants and Registered Auditors, Hill House, 1 Little New Street, London, EC4A 3TR.

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## PROFIT AND LOSS ACCOUNT

	Note	Period from incorporation to 31 March, 1997 £
Turnover	2	608,113
Administrative expenses		<u>(62,731)</u>
Operating profit	4	545,382
Interest payable	5	<u>(371,945)</u>
Interest receivable		<u>3,192</u>
Profit on ordinary activities before taxation		176,629
Tax on profit on ordinary activities	6	<u>(93,269)</u>
Retained profit for the financial period		<u>83,360</u>

All transactions derive from continuing activities

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Period from incorporation to 31 March, 1997 £
Profit for the period	83,360
Deficit arising on revaluation of fixed assets	<u>(49,969)</u>
Total recognised gains and losses relating to the period	<u>33,391</u>

## BALANCE SHEET

	Note	31 March, 1997 £
<b>Fixed assets</b>		
Investment property	7	<u>12,900,000</u>
<b>Current assets</b>		
Debtors	8	185,655
Cash at bank and in hand		<u>278,042</u>
		463,697
<b>Creditors: amounts falling due within one year</b>	9	<u>(9,147,617)</u>
<b>Net current liabilities</b>		<u>(8,683,920)</u>
<b>Total assets less current liabilities</b>		4,216,080
<b>Creditors: amounts falling due after more than one year</b>	10	<u>(4,182,688)</u>
<b>Total net assets</b>		<u>33,392</u>
<b>Capital and reserves</b>		
Called up share capital	12	1
Profit and loss account	14	83,360
Revaluation reserve	14	<u>(49,969)</u>
<b>Total equity shareholders' funds</b>		<u>33,392</u>

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## **NOTES TO THE FINANCIAL INFORMATION**

### **1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable accounting standards in the United Kingdom. The particular accounting policies adopted are described below.

#### **Accounting convention**

The financial statements are prepared under the historical cost convention as modified for the revaluation of investment properties.

#### **Investment properties**

In accordance with Statement of Standard Accounting Practice No 19 ("SSAP 19"), investment properties are revalued annually and the aggregate surplus or deficit is transferred to revaluation reserve. No depreciation is provided in respect of investment properties.

Normally all properties are required to be depreciated. However, this requirement conflicts with the generally accepted accounting principle set out in SSAP 19. The directors consider that, because these properties are not held for consumption, but for their investment potential, to depreciate them would not give a true and fair view, and that it is necessary to adopt SSAP 19 in order to give a true and fair view.

If this departure from the normal accounting policy had not been made, the profit for the financial period would have been reduced by depreciation. However, the amount of depreciation cannot reasonably be quantified because depreciation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

#### **Deferred taxation**

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounting and taxation purposes, which are expected to reverse in the future, calculated at the rates at which it is expected that tax will arise.

#### **Cash flow statement**

The company meets the definition of a small company for the purposes of filing accounts under Section 248 of the Companies Act 1985. Consequently a cash flow statement has not been prepared.

### **2. TURNOVER**

All turnover and profits are attributable to one activity, being that of property investment, which is carried out wholly in the United Kingdom.

### **3. INFORMATION REGARDING THE DIRECTOR AND EMPLOYEES**

The director received fees of £3,000 in respect of his services to the company.

The average number of persons employed, excluding the director, was nil for the period.

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#### 4. OPERATING PROFIT

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	Period from incorporation to 31 March, 1997
	£

Operating profit is after charging:

Auditors' remuneration	<u>5,000</u>
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#### 5. INTEREST PAYABLE

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	Period from incorporation to 31 March, 1997
	£

Interest on bank loans repayable within five years	<u>371,945</u>
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#### 6. TAX ON PROFIT ON ORDINARY ACTIVITIES

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	Period from incorporation to 31 March, 1997
	£

Taxation is based on the profit for the period and comprises:

Corporation tax at 33 per cent.	<u>93,269</u>
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The tax charge is disproportionately high due to prepaid rental income being taxable in the current period.

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#### 7. INVESTMENT HELD AS FIXED ASSETS

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	Investment property
	£

##### Cost

Additions in period and at 31 March, 1997	<u>12,949,969</u>
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##### Accumulated revaluation to market value

Revaluation for the period and at 31 March, 1997	<u>(49,969)</u>
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##### Market value

At 31 March, 1997	<u>12,900,000</u>
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The leasehold interest in the investment property at 51/79 Charing Cross Road, 28/35 Newport Court and 10/18 Newport Place, London WC2, known as Newport Sandringham, was valued as at 31 March, 1997, by qualified professional valuers working for the company of DTZ Debenham Thorpe, International Property Advisers. The valuation was undertaken on the basis of open market value and was carried out in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors.

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## 8. DEBTORS

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	At 31 March, 1997 £
Trade debtors	130,016
Amounts due from parent company	823
Other debtors	49,494
Called up share capital not paid	1
Prepayments	<u>5,321</u>
	<u>185,655</u>

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## 9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

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	At 31 March, 1997 £
Bank loan	8,610,000
Corporation tax	93,269
Other creditors	87,504
Accruals and deferred income	318,343
Taxation and social security	<u>38,501</u>
	<u>9,147,617</u>

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The bank loan is secured by a debenture incorporating a legal charge over current and future assets and a legal charge over the investment property, the commercial element of 51/79 Charing Cross Road, 28/35 Newport Court and 10/18 Newport Place, London WC2.

The loan is repayable by fixed quarterly instalments of £80,000 commencing on 30 August, 1998. The balance of the loan still outstanding at 30 August, 2001 is repayable on that date. A market rate of interest applies to all amounts outstanding throughout the period. Notwithstanding the intention of the Company's bankers not to call for repayment of the loan before the due dates, the loan is repayable on demand and therefore has been classified as falling due within one year.

## 10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

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	At 31 March, 1997 £
Amounts owed to parent company	<u>4,182,688</u>

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# 11. PROVISIONS FOR LIABILITIES AND CHARGES

The amounts of deferred tax provided and unprovided are:

	At 31 March, 1997	
	Provided	Unprovided
Short-term timing differences—rents prepaid	—	<u>33,979</u>

# 12. CALLED UP SHARE CAPITAL

	Number of shares	£
Authorised		
Ordinary Shares of £1 each	<u>5,000,000</u>	<u>5,000,000</u>
Called up and allotted		
Ordinary Shares of £1 each	<u>1</u>	<u>1</u>

The called up share capital was issued in the period for a consideration of £1.

# 13. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	At 31 March, 1997 £
Profit for the period	83,360
Other recognised losses relating to the period	(49,969)
Issue of shares	<u>1</u>
Net addition to shareholders' funds	33,392
Opening shareholders' funds	—
Closing shareholders' funds	<u>33,392</u>

# 14. RESERVES

	Revaluation reserve £	Profit and loss account £	Total £
Balance at 6 June, 1996	—	—	—
Profit retained for the period	—	83,360	83,360
Revaluation in the period	(49,969)	—	(49,969)
Balance at 31 March, 1997	<u>(49,969)</u>	<u>83,360</u>	<u>33,391</u>

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## 15. RELATED PARTIES

Goldline Properties Limited's related parties, as defined by Financial Reporting Standard 8, the nature of the relationship and the extent of transactions with them are summarised as follows:

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	Period from incorporation to 31 March, 1997
	£
Amounts due to parent company	(4,182,688)
Amounts due from parent company	<u>823</u>
	<u>(4,181,865)</u>

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During the year the company paid £48,750 for conveyancing services to Sparrow & Trieu, a firm in which the company's director, Mr. David Sparrow, is a partner.

## 16. ULTIMATE PARENT COMPANY

The parent and ultimate parent company is Celtic Swing Limited, a company incorporated in the British Virgin Islands. Celtic Swing Limited is controlled by Mr. Edmund Chang, its sole shareholder.

The following is the text of the Accountants' Report received from Deloitte & Touche and Deloitte Touche Tohmatsu:

**Deloitte &  
Touche**



Deloitte & Touche  
Chartered Accountants  
Stonecutter Court  
1 Stonecutter Street  
London EC4A 4TR  
England

**Deloitte Touche  
Tohmatsu**



Deloitte Touche Tohmatsu  
Certified Public Accountants  
26th Floor, Wing On Centre  
111 Connaught Road, Central  
Hong Kong

The Directors  
Golden Land Investments PLC  
Foxglove House  
166 Piccadilly  
London W1V 9DE  
England

The Partners  
Deloitte & Touche Corporate Finance  
Stonecutter Court  
1 Stonecutter Street  
London EC4A 4TR  
England

9 July, 1997

Dear Sirs

Jade Champion Worldwide Inc. ("the Company") was incorporated in the British Virgin Islands on 5 January, 1994. The Company commenced trading on 16 October, 1995 and has prepared audited financial statements for submission to members for the twenty seven month period from 5 January, 1994 to 31 March, 1996 and for the year ended 31 March, 1997. No dividends have been declared or paid to the members.

The Company was incorporated with an authorised share capital of 50,000 ordinary shares with a par value of US\$1.00 each. One ordinary share has been allotted as fully paid.

The financial information set out in this report is based on the audited financial statements for the twenty seven month period 5 January, 1994 to 31 March, 1996 and the year ended 31 March, 1997 ("the Relevant Periods"). No adjustments were considered necessary. Unqualified audit reports were provided on the financial statements for the Relevant Periods. Deloitte & Touche, London have been auditors of the Company throughout the Relevant Periods covered by this report.

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We have examined the audited financial statements of the Company for the Relevant Periods in accordance with the United Kingdom Auditing Guideline: "Prospectuses and the reporting accountant".

No audited financial statements have been prepared for submission to the members of the Company in respect of any period subsequent to 31 March, 1997.

In our opinion, the financial information set out below gives, for the purposes of the prospectus dated 9 July, 1997, a true and fair view of the profits and cash flows of the Company for each of the Relevant Periods covered by the report and of the state of affairs of the Company at the end of each of the Relevant Periods.

## PROFIT AND LOSS ACCOUNTS

	<i>Note</i>	Period from incorporation to 31 March, 1996 £	Year ended 31 March, 1997 £
Turnover	2	101,400	218,400
Administrative expenses		<u>(13,792)</u>	<u>(38,595)</u>
Operating profit	4	87,608	179,805
Interest receivable		—	2,860
Interest payable	5	<u>(67,357)</u>	<u>(128,252)</u>
Profit on ordinary activities before taxation		20,251	54,413
Tax on profit on ordinary activities	6	<u>(6,479)</u>	<u>(14,538)</u>
Profit for the financial period		13,772	39,875
Retained profit brought forward		—	<u>13,772</u>
Retained profit carried forward		<u>13,772</u>	<u>53,647</u>

All activities derive from continuing operations.

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Period from incorporation to 31 March, 1996 £	Year ended 31 March, 1997 £
Profit for the period	13,772	39,875
Surplus arising on revaluation of fixed assets	<u>7,803</u>	<u>350,000</u>
Total recognised gains and losses relating to the period	<u>21,575</u>	<u>389,875</u>

## BALANCE SHEETS

	<i>Note</i>	31 March, 1996 £	31 March, 1997 £
<b>Fixed assets</b>			
Investment property	7	<u>2,850,000</u>	<u>3,200,000</u>
<b>Current assets</b>			
Debtors	8	59,962	54,601
Cash at bank and in hand		<u>19,451</u>	<u>27,703</u>
		79,413	82,304
<b>Creditors: amounts falling due within one year</b>	9	<u>(1,857,986)</u>	<u>(1,809,648)</u>
<b>Net current liabilities</b>		<u>(1,778,573)</u>	<u>(1,727,344)</u>
<b>Total assets less current liabilities</b>		1,071,427	1,472,656
<b>Creditors: amounts falling due after more than one year</b>	10	<u>(1,049,851)</u>	<u>(1,061,205)</u>
<b>Total net assets</b>		<u>21,576</u>	<u>411,451</u>
<b>Capital and reserves</b>			
Called up share capital	11	1	1
Revaluation reserve	7	7,803	357,803
Profit and loss account		<u>13,772</u>	<u>53,647</u>
<b>Total equity shareholders' funds</b>		<u>21,576</u>	<u>411,451</u>

## CASH FLOW STATEMENTS

	<i>Note</i>	Period from incorporation to 31 March, 1996 £	Year ended 31 March, 1997 £
Net cash inflow from operating activities	12	107,296	216,697
Return on investments and servicing of finance			
Interest received		—	2,860
Interest paid		(67,357)	(128,252)
Taxation			
Tax paid		—	(6,659)
Investing activities			
Purchase of investment property		(2,842,197)	—
Net cash (outflow)/inflow before financing		<u>(2,802,258)</u>	<u>84,646</u>
Financing			
Issue of ordinary share capital		1	—
Bank loans		1,771,857	(87,748)
Borrowings from parent company		<u>1,049,851</u>	<u>11,354</u>
Net cash inflow/(outflow) from financing		<u>2,821,709</u>	<u>(76,394)</u>
Increase in cash and cash equivalents	13	<u>19,451</u>	<u>8,252</u>

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## NOTES TO THE FINANCIAL INFORMATION

### 1. ACCOUNTING POLICIES

The financial information is prepared in accordance with applicable accounting standards in the United Kingdom ("U.K."). The particular accounting policies adopted are described below.

#### Accounting convention

The financial statements are prepared under the historical cost convention, as modified for the revaluation of investment properties.

#### Deferred taxation

Deferred taxation is provided at the anticipated tax rates on timing differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

#### Investment properties

In accordance with U.K. Statement of Standard Accounting Practice No. 19 ("SSAP 19"), investment properties are revalued annually. Any deficit arising on revaluation which is judged to be permanent is charged to the profit and loss account. Any deficit which is not judged to be permanent or any surplus arising on revaluation is transferred to the revaluation reserve. No depreciation is provided in respect of investment properties.

### 2. TURNOVER AND PROFITS

All turnover and profits are attributable to one activity, being that of property investment, which is carried out wholly in the United Kingdom.

### 3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The directors received no remuneration in respect of services to the Company during the Relevant Periods.

There were no other employees throughout the Relevant Periods.

### 4. OPERATING PROFIT

	Period from incorporation to 31 March, 1996 £	Year ended 31 March, 1997 £
Operating profit is after charging:		
Auditors' remuneration	<u>1,500</u>	<u>4,963</u>

## 5. INTEREST PAYABLE

	Period from incorporation to 31 March, 1996 £	Year ended 31 March, 1997 £
Bank loans repayable within five years	<u>67,357</u>	<u>128,252</u>

## 6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	Period from incorporation to 31 March, 1996 £	Year ended 31 March, 1997 £
Taxation is based on the profit from rental business in the U.K. for the period and comprises:		
U.K. income tax at 24 per cent. (1996: 25 per cent.)	<u>6,479</u>	<u>14,538</u>

## 7. INVESTMENT PROPERTY

	Investment property £
<b>Cost</b>	
At 5 January, 1994	—
Additions in the period ended 31 March, 1996	<u>2,842,197</u>
At 31 March, 1996 and 31 March, 1997	<u>2,842,197</u>
<b>Accumulated revaluation to market value</b>	
At 5 January, 1994	—
Revaluation in the period ended 31 March, 1996	<u>7,803</u>
At 31 March, 1996	<u>7,803</u>
Revaluation in the year ended 31 March, 1997	<u>350,000</u>
At 31 March, 1997	<u>357,803</u>
<b>Market value</b>	
At 31 March, 1996	<u>2,850,000</u>
At 31 March, 1997	<u>3,200,000</u>

The freehold interest in the property at 37/38 Gerrard Street, London W1 was valued as at 31 March, 1997, by qualified professional valuers working for the company of DTZ Debenham Thorpe, International Property Advisers. The valuation was undertaken on the basis of open market value and was carried out in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors.

## 8. DEBTORS

	At 31 March, 1996 £	At 31 March, 1997 £
Called up share capital not paid	1	1
Other debtors	59,961	54,600
	<u>59,962</u>	<u>54,601</u>

## 9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	At 31 March, 1996 £	At 31 March, 1997 £
Bank loans and overdrafts	1,771,857	1,684,109
Amounts due to fellow subsidiary	5,500	37,625
Corporation tax	6,479	14,538
Other creditors	54,600	54,600
Accruals and deferred income	19,550	18,776
	<u>1,857,986</u>	<u>1,809,648</u>

The bank loan is secured by a legal charge over the Company's investment property.

The loan is repayable by fixed monthly instalments of £18,000 inclusive of interest. The balance of the loan still outstanding at 13 October, 2000 is repayable at that date. Notwithstanding the bank's intention not to call for repayment of the loan before the due dates, the loan is repayable on demand and is, therefore, classified as falling due within one year.

# 10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	At 31 March, 1996 £	At 31 March, 1997 £
Amounts owed to parent company	<u>1,049,851</u>	<u>1,061,205</u>

# 11. CALLED UP SHARE CAPITAL

At 31 March, 1996 and 31 March, 1997	Number of shares	£
Authorised		
Ordinary shares of US\$1 each	<u>50,000</u>	<u>32,000</u>
Called up and allotted		
Ordinary shares of US\$1 each	<u>1</u>	<u>1</u>

# 12. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Period from incorporation to 31 March, 1996 £	Year ended 31 March, 1997 £
Operating profit	87,608	179,805
(Increase)/decrease in debtors	(59,962)	5,361
Increase in creditors	<u>79,650</u>	<u>31,531</u>
Net cash inflow from operating activities	<u>107,296</u>	<u>216,697</u>

# 13. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS

	Period from incorporation to 31 March, 1996 £	Year ended 31 March, 1997 £
Opening balance	—	19,451
Net cash inflow	<u>19,451</u>	<u>8,252</u>
Balance at 31 March,	<u>19,451</u>	<u>27,703</u>

Cash and cash equivalents comprises only cash at bank and in hand.

#### 14. ANALYSIS OF CHANGES IN FINANCING

	Period from incorporation to 31 March, 1996		Year ended 31 March, 1997	
	Share capital £	Bank loans £	Share capital £	Bank loans £
Opening balance	—	—	1	1,771,857
Cash inflows from financing	1	1,771,857	—	—
Cash outflows from financing	—	—	—	(87,748)
Balance at 31 March,	<u>1</u>	<u>1,771,857</u>	<u>1</u>	<u>1,684,109</u>

#### 15. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Period from incorporation to 31 March, 1996 £	Year ended 31 March, 1997 £
Profit for the period	13,772	39,875
Issue of shares	1	—
Other recognised gains relating to the period	<u>7,803</u>	<u>350,000</u>
Net addition to shareholders' funds	21,576	389,875
Opening shareholders' funds	—	<u>21,576</u>
Closing shareholders' funds	<u>21,576</u>	<u>411,451</u>

#### 16. ULTIMATE PARENT COMPANY

The parent company is Gold-Face Investment Holdings Limited, a company incorporated in the British Virgin Islands and the ultimate parent company is Gold-Face Holdings Limited, a company incorporated in Bermuda.

Gold-Face Holdings Limited is jointly controlled by Questrole Profits Limited, Propertyline Properties Limited, Value Consultants Limited and Oodless Investment Limited.

Each of Questrole Profits Limited and Propertyline Properties Limited is a company beneficially owned by a discretionary trust, the discretionary objects of which include Mr. Chi Wah Tai, who is a director of Gold-Face Holdings Limited, and his family members (the "Tai Family").

Oodless Investment Limited is controlled by certain members of the Tai Family including Madam Seow Yoke Peng Tai who is a director of both Oodless Investment Limited and Gold-Face Holdings Limited.

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## 17. RELATED PARTY DISCLOSURES

Jade Champion Worldwide Inc's related parties, as defined by U.K. Financial Reporting Standard 8, the nature of the relationship and the extent of transactions with them are summarised below:

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	1997
	£
Amounts due to fellow subsidiary — Golden Land Investments PLC	37,625
Amounts due to parent company — Gold-Face Investment Holdings Limited	<u>1,061,205</u>
	<u>1,098,830</u>

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The amount due to Golden Land Investments PLC is in respect of management services provided by that company.

There were no other transactions with related parties during the Relevant Period.

Yours faithfully

Yours faithfully

**Deloitte & Touche**  
*Chartered Accountants*

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*

The following is the text of the Accountants' Report received from Deloitte & Touche and Deloitte Touche Tohmatsu:

**Deloitte &  
Touche**



Deloitte & Touche  
Chartered Accountants  
Stonecutter Court  
1 Stonecutter Street  
London EC4A 4TR  
England

**Deloitte Touche  
Tohmatsu**



Deloitte Touche Tohmatsu  
Certified Public Accountants  
26th Floor, Wing On Centre  
111 Connaught Road, Central  
Hong Kong

The Directors  
Golden Land Investments PLC  
Foxglove House  
166 Picadilly  
London W1V 9DE  
England

The Partners  
Deloitte & Touche Corporate Finance  
Stonecutter Court  
1 Stonecutter Street  
London EC4A 4TR  
England

9 July, 1997

Dear Sirs,

Wealth Enterprises Limited (the "Company") was incorporated in Hong Kong on 30 May, 1991.

We have examined the audited financial statements of the Company for each of the three years ended 31 March, 1997.

The financial information set out in this report is based on the audited financial statements for the three years ended 31 March, 1997 ("the Relevant Years"). No adjustments were considered necessary. Unqualified audit reports were provided on the audited financial statements of the Company for the Relevant Years. Deloitte Touche Tohmatsu, Hong Kong have acted as auditors of the Company throughout the Relevant Years covered by this report.

No dividends were declared or paid to members during the Relevant Years.

We have examined the audited financial statements of the Company throughout the Relevant Years in accordance with the Auditing Guideline: "Prospectuses and the reporting accountant".

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No audited financial statements have been prepared for submission to the members of the Company in respect of any period subsequent to 31 March, 1997.

In our opinion, the financial information set out below gives, for the purposes of the prospectus dated 9 July, 1997 a true and fair view of the profits and losses and cash flows of the Company for each of the years covered by the report and of the state of affairs of the Company at the end of each of those years.

## PROFIT AND LOSS ACCOUNTS

	<i>Notes</i>	Year ended 31 March,		
		1995	1996	1997
		HK\$'000	HK\$'000	HK\$'000
Turnover	2	—	—	—
Administrative Expenses	3	(17)	(15)	(126)
Interest received		—	—	313
(Loss)/profit on ordinary activities before taxation		(17)	(15)	187
Tax on (loss)/profit on ordinary activities	5	(1)	—	—
Retained (loss)/profit for the financial year		(18)	(15)	187
Retained profit brought forward		65	47	32
Retained profit carried forward		47	32	219

All activities derive from continuing operations.

The profit/(loss) for each year is equal to the total of recognised gains and losses in each year and the movement in shareholders' funds.

## BALANCE SHEETS

	<i>Notes</i>	Year ended 31 March,		
		1995	1996	1997
		HK\$'000	HK\$'000	HK\$'000
<b>Fixed assets</b>				
Investments	6	—	3,121	3,633
<b>Current assets</b>				
Amount due to Gold-Face Enterprises Limited		61	—	—
Cash at bank and in hand		—	—	160
		61	—	160
<b>Creditors: Amounts falling due within one year</b>	7	(14)	(3,089)	(3,574)
<b>Net current assets/(liabilities)</b>		47	(3,089)	(3,414)
<b>Total net assets</b>		47	32	219
<b>Capital and reserves</b>				
Called up share capital	8	—	—	—
Profit and loss account		47	32	219
<b>Total equity shareholders' funds</b>		47	32	219

## CASH FLOW STATEMENTS

	<i>Note</i>	Year ended 31 March,		
		1995 HK\$'000	1996 HK\$'000	1997 HK\$'000
Net cash inflow/(outflow) from operating activities	9	21	46	(114)
Returns on investments and servicing of finance				
Interest received		—	—	313
Taxation				
Tax paid		(21)	—	—
Investing activities				
Investment in associated undertakings		—	(3,121)	(512)
Net cash outflow before financing		—	(3,075)	(313)
Financing				
Borrowings from Gold-Face Enterprises Limited	10	—	3,075	473
Net cash inflow from financing		—	3,075	473
Increase in cash and cash equivalents	11	—	—	160

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## NOTES TO THE FINANCIAL INFORMATION

### 1. ACCOUNTING POLICIES

The financial information is prepared in accordance with applicable accounting standards in the United Kingdom. The particular accounting policies are described below.

#### Accounting Convention

The financial statements are prepared under the historical cost convention.

#### Investments

Investments held as fixed assets are stated at cost less provision for any permanent impairment in value.

Income from associated undertakings is accounted for when the Company's right to receive dividends has been established.

#### Foreign currencies

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the profit and loss account.

#### Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed under the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable a liability or asset will crystallise in the foreseeable future.

### 2. TURNOVER AND OPERATING LOSSES

The operating losses are attributable to one activity, being that of an investment holding company, in respect of investments in the People's Republic of China.

### 3. ADMINISTRATIVE EXPENSES

	Year ended 31 March,		
	1995	1996	1997
	HK\$'000	HK\$'000	HK\$'000
Administrative expenses are arrived at after charging:			
Auditors' remuneration	<u>9</u>	<u>9</u>	<u>11</u>

### 4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The directors received no remuneration in respect of their services to the Company during the Relevant Years.

There were no other employees throughout the Relevant Years.

## 5. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

	Year ended 31 March,		
	1995	1996	1997
	HK\$'000	HK\$'000	HK\$'000
The tax charge comprises:			
Hong Kong profits tax at 17.5 per cent.			
relating to an underprovision in respect of			
prior years	1	—	—
	<u>1</u>	<u>—</u>	<u>—</u>

No provision for Hong Kong profits tax has been made in the year ended 31st March, 1997 as the Company has no assessable profit during the year.

Deferred taxation has not been provided in the financial statements as there were no significant timing differences during the year or at the balance sheet date.

## 6. INVESTMENTS HELD AS FIXED ASSETS

	Investment in associated undertakings
	HK\$'000
Cost	
At 1 April, 1995	—
Additions	3,121
At 31 March, 1996	3,121
Additions	512
At 31 March, 1997	<u>3,633</u>

On 8 July, 1995, the Company entered into a joint venture agreement to establish a sino foreign joint venture enterprise, to be based in Lianyungang, Jiangsu Province in the People's Republic of China, and known as Lianyungang Sanjili Chemical Industry Company Limited. The Company has a 39 per cent. equity interest in this associated undertaking. The nominal value of the registered capital of Lianyungang Sanjili Chemical Industry Company Limited is RMB10,000,000 and the Company's equity holding in this associated undertaking is 39 per cent. (1996 — 25 per cent.). This associated undertaking is undergoing a period of trial production of vanillin and other chemical products and has yet to commence commercial trading.

## 7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1995	At 31 March, 1996	1997
	HK\$'000	HK\$'000	HK\$'000
Amount due to Gold-Face Enterprises Limited, a subsidiary of Gold-Face	—	3,075	3,548
Accruals	14	14	26
	<u>14</u>	<u>3,089</u>	<u>3,574</u>

## 8. CALLED UP SHARE CAPITAL

At 31 March, 1995, 1996 and 1997	Number of shares	HK\$
Authorised		
Ordinary shares of HK\$1 each	9,998	9,998
Non-voting deferred shares of HK\$1 each	<u>2</u>	<u>2</u>
	<u>10,000</u>	<u>10,000</u>
Issued and fully paid		
Ordinary shares of HK\$1 each	2	2
Non-voting deferred shares of HK\$1 each	<u>2</u>	<u>2</u>
	<u>4</u>	<u>4</u>

The deferred shares carry minimal rights to dividends or to receive notice of or to vote at any general meeting of the Company. On a winding-up, the holders of the deferred shares shall be entitled, out of the surplus assets of the Company, to a return of the capital paid up on the non-voting deferred shares held by them respectively after a total sum of HK\$100,000,000,000 has been distributed in such winding-up in respect of each of the ordinary shares of the Company.

## 9. RECONCILIATION OF OPERATING LOSS TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	1995	Year ended 31 March, 1996	1997
	HK\$'000	HK\$'000	HK\$'000
Operating loss	(17)	(15)	(126)
Decrease in debtors	37	61	—
Increase in creditors	<u>1</u>	<u>—</u>	<u>12</u>
Net cash inflow/(outflow) from operating activities	<u>21</u>	<u>46</u>	<u>(114)</u>

# 10. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Year ended 31 March,		
	1995	1996	1997
	HK\$'000	HK\$'000	HK\$'000
Borrowings from Gold-Face Enterprises Limited, a subsidiary of Gold-Face			
Balance at 1 April	—	—	3,075
Funds received	—	3,075	473
Balance at 31 March,	—	3,075	3,548

# 11. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS

	Year ended 31 March,		
	1995	1996	1997
	HK\$'000	HK\$'000	HK\$'000
Balance at 1 April	—	—	—
Net cash inflow	—	—	160
Balance at 31 March,	—	—	160

# 12. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS AS SHOWN IN THE BALANCE SHEET

	Year ended 31 March,		
	1995	1996	1997
	HK\$'000	HK\$'000	HK\$'000
Cash at bank and in hand			
Balance at 1 April	—	—	—
Balance at 31 March,	—	—	160
Change in the year	—	—	160

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### 13. ULTIMATE PARENT COMPANY

The parent company is Gold-Face Investment Holdings Limited, a company incorporated in the British Virgin Islands, and the ultimate parent company is Gold-Face Holdings Limited, a company incorporated in Bermuda.

Yours faithfully

Yours faithfully

**Deloitte & Touche**  
*Chartered Accountants*

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*

## Part VII — Valuer's Report on the Properties

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The following is the text of a report on the properties to be acquired by the Group received from DTZ Debenham Thorpe:

The Directors  
Golden Land Investments PLC  
Foxglove House  
166 Piccadilly  
London W1V 9DE

The Partners  
Deloitte & Touche Corporate Finance  
Chartered Accountants  
Stonecutter Court  
1 Stonecutter Street  
London EC4A 4TR

The Directors  
The Hongkong & Shanghai Banking Corporation Ltd.  
17 Gerrard Street  
London W1V 8HB

7 July, 1997

Gentlemen

### VALUATION AS AT 7 July, 1997

**PARTS OF THE NEWPORT SANDRINGHAM DEVELOPMENT, 51/79 (ODD NUMBERS) CHARING CROSS ROAD, 28/35 (INCLUSIVE) NEWPORT COURT AND 10/18 (EVEN NUMBERS) NEWPORT PLACE, LONDON WC2 (LONG LEASEHOLD) AND 37/38 GERRARD STREET, LONDON W1 (FREEHOLD), (THE "PROPERTIES")**

In accordance with your instructions, which were confirmed in your letter dated 29 April, 1997, we have inspected the freehold and long leasehold properties referred to above and in the Schedule, in order to advise you of our opinion of the open market value of the Properties at 7 July, 1997.

The Newport Sandringham Development (the "Development") comprises three main elements. Firstly, retail and restaurant premises and a cleansing depot on the ground floor, mezzanine and part basement, secondly an underground car park in the remaining basement area and below, and thirdly, residential flats on the upper floors over the ground floor level. We understand that Golden Land Investments PLC (the "Company") intends to acquire an interest in a company known as Goldline Properties Limited (a related company), which owns the long leasehold interest in those parts of the Development at 51/79 (odd numbers) Charing Cross Road, 28/35 (inclusive) Newport Court and 10/18 (even numbers) Newport Place, on the ground floor, mezzanine and part basement, together with the service road and a cleansing depot (described firstly above) ("parts of the Newport Sandringham Development"). This long leasehold interest is described in detail in the Schedule. We also understand that the company known as Jade Champion Worldwide Inc. (a related company), which owns the freehold interest in 37/38 Gerrard Street is to be acquired by the Company.

The parts of the Newport Sandringham Development, with the exceptions of nos. 51 and 59 Charing Cross Road, were internally inspected in May, 1997. 37/38 Gerrard Street was internally inspected in February, 1997, and subject to an external inspection in May, 1997.

We understand that the valuations are required in connection with the Company's proposals to acquire an interest in Goldline Properties Limited and Jade Champion Worldwide Inc. and to issue shares.

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We confirm that the valuations have been made in accordance with the appropriate sections of the Practice Statements and Guidance Notes contained within the Appraisal and Valuation Manual issued by the Royal Institution of Chartered Surveyors (the "RICS") and that they have been undertaken by valuers, acting as external valuers, qualified for the purpose of the valuations. We have undertaken our report in accordance with the requirements contained within the provisions of Chapter 18 of The Listing Rules laid down by the London Stock Exchange Limited (the "Listing Rules").

## 1. BASIS OF VALUATION

The value of each property has been assessed in accordance with the relevant parts of the RICS Appraisal and Valuation Manual issued in September, 1995. In particular, we have assessed open market value in accordance with Practice Statement 4.2. Under these provisions the term "open market value" means 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."

Assumption (d) has particular regard to the special position of a sitting tenant with an advantageous lease, or an adjoining owner.

We have not made any adjustment to reflect any liability to taxation that may arise on disposal of either of the properties, nor for any costs associated with such disposals incurred by the owner. No allowance has been made to reflect any liability to repay any government or other grants or taxation allowance that may arise on any disposal.

We have made deductions to reflect a purchaser's normal acquisition costs.

## 2. VAT

The Company has advised us that the option to tax has been exercised in respect of parts of the Newport Sandringham Development but not in respect of 37/38 Gerrard Street.

The capital valuations and rentals included in this report are all net of value added tax at the prevailing rate.

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### 3. ASSUMPTIONS AND SOURCES OF INFORMATION

In undertaking our valuations, we have made a number of assumptions and have relied on certain sources of information. With the exception of the assumption relating to rent review notices in 3.6, the Company has confirmed that our assumptions are correct so far as it is aware. However, we have no reason to believe that our assumption in 3.6 is incorrect. In the event that any of these assumptions prove to be incorrect then our valuations should be reviewed. The assumptions are referred to below:

#### 3.1 Title

We have been provided with a Certificate of Title dated 4 July, 1997, prepared by Messrs Sparrow and Trieu in respect of parts of the Newport Sandringham Development, and a Certificate of Title dated 4 July, 1997 prepared by Messrs Richards Butler in respect of 37/38 Gerrard Street, (the "Certificates").

Save as disclosed by the Certificates, we have assumed that there is good and marketable freehold or leasehold title as appropriate in each case and that the properties are free from rights of way or easements, restrictive covenants, disputes or onerous or unusual outgoings. We have also assumed that the properties are free from mortgages, charges or other encumbrances. An Agreement dated 13 September, 1996, between Goldline Properties Limited and Shaftesbury PLC contains, *inter alia*, a right of pre-emption in respect of parts of the Newport Sandringham Development in favour of Shaftesbury PLC. We have referred to this in more detail in section 5 which also includes the assumptions we have adopted in connection with this right for the purpose of our valuation.

#### 3.2 Condition of structure and services, deleterious materials, plant and machinery and goodwill

Due regard has been paid to the apparent state of repair and condition of the properties, but structural surveys have not been undertaken, nor has woodwork or other parts of the structures which are covered, unexposed or inaccessible, been inspected. Therefore, we are unable to report that the properties are structurally sound or are free from any defects. We have assumed the properties are free from any rot, infestation, adverse toxic chemical treatments, and structural or design defects. In this regard, we would draw your attention to our comments in section 2 of the Schedule in relation to the flying shores erected above 37/38 Gerrard Street in order to provide support to the adjoining buildings, and to the assumptions we have made in this connection for the purpose of our valuation.

We have not arranged for investigations to be made to determine whether High Alumina Cement Concrete, Calcium Chloride additive or any other deleterious material have been used in construction or any alterations, and therefore we cannot confirm that the properties are free from risk in this regard. For the purposes of these valuations, unless otherwise advised by the Company or its advisers, it has been assumed that any investigation would not reveal the presence of such materials in any adverse condition.

No mining, geological or other investigations have been undertaken to certify that the sites are free from any defect as to foundations. We have assumed that the load bearing qualities of the sites of the properties are sufficient to support the buildings constructed thereon, and, in the case of 37/38 Gerrard Street, a proposed redevelopment arranged on basement, ground and three or four upper floors.

No tests have been carried out as to electrical, heating or any other services nor have the drains been tested. However, we have assumed all services to be functioning satisfactorily. No allowance has been made in these valuations for any items of plant or machinery not forming part of the service installations of the properties. We have specifically excluded all items of plant, machinery and equipment installed wholly or primarily in connection with any of the occupants' businesses. We have also excluded furniture and furnishings, fixtures, fittings, vehicles, stock and loose tools. Further, no account has been taken in our valuations of any goodwill that may arise from the present occupation of the properties.

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It is a condition of DTZ Debenham Thorpe Limited or any related company, or any qualified employee, providing advice and opinions as to value, that the client and/or third parties (whether notified to us or not) accept that the valuation report in no way relates to, or gives warranties as to, the condition of the structure, foundations, soil and services of any of the properties.

### **3.3 Environmental matters**

We have made enquiries of the Company and the Environmental Health Officer in each case, in order, so far as reasonably possible, to establish the potential existence of contamination arising out of previous or present uses of either of the sites and any adjoining sites. We have also had regard to the contents of the Certificates. Neither our enquiries nor the contents of the Certificates provide any evidence that there is a significant risk of contamination in respect of either of the properties. Therefore, as instructed, we have assumed that the land and buildings comprising the properties subject to our valuation are not affected by contamination or adverse environmental matters sufficient to affect value. A purchaser in the market might, in practice, undertake further investigations than those undertaken by us. If these further investigations were to reveal contamination then this might reduce the values reported.

Commensurate with our assumptions set out above, we have made no allowance in these valuations for any effect in respect of actual or potential contamination of land or buildings.

There is an electricity transformer chamber at ground floor level in the Newport Sandringham Development. Public perception that higher than normal electro-magnetic fields may affect health may, in the future, affect marketability and value of buildings in close proximity to higher than normal electro-magnetic fields.

### **3.4 Areas**

We have measured the properties on site and have calculated the floor areas in accordance with the Code of Measuring Practice prepared by the Royal Institution of Chartered Surveyors and the Incorporated Society of Valuers and Auctioneers.

### **3.5 Statutory requirements and planning**

Written enquiries have been made of the relevant Planning Authority in whose area each property lies as to the possibility of highway improvement proposals, comprehensive development schemes and other ancillary planning matters that could affect property values.

Unless it is apparent from our enquiries or the Certificates, we have assumed that the properties have been constructed in full compliance with valid Town Planning and Building Regulations approvals, that where relevant they have the benefit of a current Fire Certificate, and that the properties are not subject to any outstanding statutory notices as to their construction, use or occupation. No allowance has been made for rights, obligations or liabilities arising under the Defective Premises Act 1972.

Unless our enquiries or the contents of the Certificates have revealed the contrary, it has been further assumed that the existing use of the properties is duly authorised or established and that no adverse planning conditions or restrictions apply.

### **3.6 Leasing**

We have read all the leases and related documents provided to us. They were provided to us for the purpose of this valuation by the Company and Messrs Penningtons, the Company's solicitors. In addition, we were provided with the majority of the relevant documentation concerning parts of Newport Sandringham Development by Messrs Stephenson Harwood and Messrs Berwin Leighton, in connection with an earlier valuation exercise. We have assumed that copies of all relevant documents have been sent to us and that they are complete and up to date.

---

We have not undertaken investigations into the financial strength of the tenants. Unless we have become aware by general knowledge, or we have been specifically advised to the contrary by the Company or its advisers, we have assumed that the tenants are financially in a position to meet their obligations. Save as disclosed by the contents of the Certificates, or by the Company or its advisers, we have also assumed that there are no material arrears of rent or breaches of covenants.

However, our valuations reflect the type of tenants actually in occupation or likely to be in occupation, or responsible for meeting the lease commitments, and the market's general perception of their creditworthiness.

Save as disclosed by the contents of the Certificates or otherwise advised by the Company or its advisers, we have also assumed that wherever rent reviews or lease renewals are pending or impending, with anticipated reversionary increases, all notices have been served validly within the appropriate time limits.

### **3.7 Information**

We have assumed that the information the Company and its advisers have supplied to us in respect of the properties is both full and correct.

It follows that we have assumed that details of all matters likely to affect value have been made available to us and that the information is up to date.

### **3.8 Landlord and Tenant Act 1987**

Although the Development contains residential flats, the parts of the Development subject to our valuation contain no residential accommodation. We understand, therefore, that the above Act does not apply to parts of the Newport Sandringham Development. Similarly, 37/38 Gerrard Street contains no residential accommodation.

## **4. NET ANNUAL RENT AND ESTIMATED NET ANNUAL RENT**

The Schedule includes details of the aggregate of the net annual rents receivable in respect of each of the properties, together with the estimated net annual rent (based on current open market rental values).

"Net annual rent" is defined in The Listing Rules as "the current income or income estimated by the valuer: (i) ignoring any special receipts or deductions arising from the property; (ii) excluding value added tax and before taxation (including tax on profits and any allowances for interest on capital or loans); and (iii) after making deductions for superior rents (but not for amortisation) and any disbursements including, if appropriate, expenses of managing the property and allowances to maintain it in a condition to command its rent."

In considering the disbursements including, if appropriate, expenses of managing the properties and allowances to maintain them in a condition to command their rent, we have had regard to information relating to insurance and service charge expenditure and recovery in relation to parts of the Newport Sandringham Development. This information has been provided to us by Conrad Ritblat, Goldline Properties Limited's managing agents.

## **5. AGREEMENT DATED 13 SEPTEMBER, 1996**

Parts of the Newport Sandringham Development are subject to an Agreement dated 13 September, 1996, between Goldline Properties Limited ("Goldline") and Shaftesbury PLC ("Shaftesbury") (the "Agreement"). The Agreement contains a right of pre-emption in favour of Shaftesbury in the event that Goldline wants to dispose of its interest by way of transfer or declaration of trust or grant a lease, or other form of disposition, of the property for 50 years or more at a premium. The right effectively lasts for a term of three years from the date of the Agreement.

---

On each occasion that Goldline wants, during the course of the three year period, to deal with its interest on the lines referred to above, it must notify Shaftesbury and offer to dispose of the relevant interest to Shaftesbury.

In the event of Goldline receiving an offer at a price which it decides to accept, it must first offer to sell the property to Shaftesbury at that price. In the event that Goldline simply decides to sell its interest it must, prior to marketing, offer to sell it to Shaftesbury for the greater of £14.3m and the then "market value" as defined in the Agreement. In each case, Shaftesbury has one calendar month, from receipt of Goldline's offer and all information necessary to enable it to make a decision, in which to decide whether to purchase the property. In the event that Shaftesbury declines to purchase the property or fails to respond within the time limit, Goldline is free to dispose of its property provided that such a disposal is not at below "market value" or below the level of the offer received and provided the sale takes place within the stipulated timescale.

Our valuation assumes that the property has already been marketed at the date of valuation. For the purpose of our valuation we have further assumed that all necessary notices required under the Agreement have been served and that Shaftesbury have not elected to acquire the interest. We consider these assumptions to be reasonable in the circumstances because once Goldline has disposed of its interest in an arm's length transaction, the right of pre-emption determines.

In the event that the property had been marketed prior to the date of valuation, Goldline could either sell the property in the open market or to Shaftesbury at the higher of £14.3m and "market value". The right of pre-emption does not enable Shaftesbury to acquire the property at below open market value.

## **6. 37/38 GERRARD STREET**

The lease of the above property provides that, in the event of the confirmation of an enforcement notice served in respect of the property in relation to its use or condition, either party may terminate the lease on three months notice. Alternatively the tenant may terminate the lease on receipt of an enforcement notice, even if not confirmed, by giving three months notice, such notice to be served within 14 days of receipt of the enforcement notice.

In respect of the planning situation, we understand from Messrs Richards Butler that planning permission was granted in 1981 for the redevelopment of the building for use as a restaurant on basement and ground floors, with offices on first to fourth floors. This permission has not been implemented. The property is currently in restaurant use. Messrs Richards Butler have advised that the local planning authority have no file relating to enforcement action in respect of the property and they advise that this means that, in all probability, the local planning authority have no concerns about the existing use of the property. Messrs Richards Butler advise that there is no history of any enforcement action relating to the property. In view of the current use of the property, the Local Authority's acceptance of restaurant use in 1981 and Messrs Richards Butler's advice referred to above, we have assumed, for the purpose of our valuation, that the current use of the property is lawful and that an enforcement notice against such use will not be served.

In relation to a potential enforcement notice (or other appropriate notice) being served due to the condition of the property, Messrs Richards Butler have advised that a notice would only be served in the event that there was a danger or potential danger to members of the public. In this case, a Dangerous Structure Notice would be served or notices would be served under Building Regulations for works to be done to make the property safe.

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As referred to in section 2 of the Schedule, the upper floors of the property were demolished by fire about 20 years ago, but works appear to have been undertaken to the exposed flank walls of the first to third floors of the adjoining terraced buildings and there are flying shores in place to provide support. We have assumed that the works to the flank walls and the shores provide adequate protection and support to the adjacent buildings and that they satisfy the liability of the tenant or owner of the property in this regard. It follows that we have assumed the condition of the property and the flying shores do not pose a danger as envisaged above and that the condition of the property will not attract an enforcement notice.

#### 7. DIRECTORS' INTERESTS

The Company has confirmed that its Directors have not at any time had any interest in any acquisitions or disposals of any of the buildings which comprise the properties.

#### 8. VALUATION

We are of the opinion that the aggregate of the open market values as at 7 July, 1997, of the freehold property and the long leasehold property described in the Schedule, subject to the assumptions and comments in this Report and in the Schedule is as follows:

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Freehold	£3,160,000	(Three million, one hundred and sixty thousand pounds)
Long leasehold	<u>£13,000,000</u>	(Thirteen million pounds)
Total	<u>£16,160,000</u>	(Sixteen million, one hundred and sixty thousand pounds)

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#### 9. CONFIDENTIALITY AND DISCLOSURE

The contents of this Report and Schedule are issued for your use only for the specific purpose to which they refer. Consequently, and in accordance with current practice, no responsibility is accepted to any other party in respect of the whole or any part of their contents. Before this Report, or any part thereof, is reproduced or referred to, in any document, circular or statement, and before its contents, or any part thereof, are disclosed orally to a third party, the valuer's written approval as to the form and context of such publication or disclosure must first be obtained. For the avoidance of doubt such approval is required whether or not DTZ Debenham Thorpe are referred to by name and whether or not the contents of our Report are combined with others.

Yours faithfully

**G.C. Rushmore, FRICS**  
*DIRECTOR*  
For and on behalf of  
**DTZ DEBENHAM THORPE**

## The Schedule

Property and Tenure	Description and Use <sup>(1)</sup>	Terms of Existing Tenancies	Net <sup>(2)</sup> Annual Rent Receivable
<b>Property held as an investment</b>			
1. Parts of the Newport Sandringham Development, London WC2	<p>The Development is located to the south of Cambridge Circus with frontages to Charing Cross Road, Newport Court and Newport Place. The Development is on the edge of the area known as Chinatown in the West End of London, located between Soho and Covent Garden. Centred on Gerrard Street and Shaftesbury Avenue, Chinatown is an established location for Chinese restaurants and also accommodates many Chinese businesses. It is an important tourist attraction and is close to London's acknowledged theatre and cinema areas, based on Shaftesbury Avenue and Leicester Square respectively. Gerrard Street, the focal point of Chinatown, is immediately to the west of the Development.</p> <p>The Development, of which the subject property forms part, was completed in 1984 and is of concrete frame construction with red brick elevations under mixed pitched and flat roofs.</p> <p>The subject property is currently arranged to provide a cleansing depot, a parking area and 24 separate units of which 13 are located with frontages to Charing Cross Road, 7 to Newport Court and 4 to Newport Place. Each unit comprises ground floor accommodation with basement and/or mezzanine floors. 5 units are in restaurant/bar use and 18 are in retail use, including a betting shop and Westminster City Council's car clamping unit. 1 unit is vacant. The cleansing depot comprises several areas at ground floor level adjacent to the service road and an area of ancillary accommodation at mezzanine level. The parking area is situated adjacent to the service road along the northern boundary of the subject property.</p> <p>The total net internal floor area of the property is approximately 3,373 sq.m. (36,308 sq.ft.). There are, in addition, approximately 144 sq.m. (1,549 sq.ft.) used as parking/storage areas by the occupier of the depot. 64.28 per cent. of the total net internal floor area is in retail use, 30.68 per cent. in restaurant/bar use, 4.05 per cent. comprises the cleansing depot and 0.99 per cent. is vacant.</p> <p>The site area is about 0.43 ha (1.07 acre).</p>	<p>The subject property is subject to 26 underleases; these comprise 18 retail underleases with one expiring in 1999 (subject to a rolling mutual option to break from 1997), 12 expiring in 2005, one each expiring in 2006, 2009 and 2012, and two expiring in 2010; 5 restaurant/bar underleases with three expiring in 2005 and one each expiring in 2009 and 2014; a depot underlease expiring in 2021 but subject to a tenant's break option after 2002, an underlease relating to a parking area expiring in 2001 and an underlease of an electricity transformer chamber expiring in 2044, subject to a mutual break option exercisable on 12 months notice.</p> <p>With the exception of the underleases of 55 Charing Cross Road, the depot, the parking area and the electricity transformer chamber, all the underleases contain 5 yearly, upwards only rent reviews. The underlease of 55 Charing Cross Road is for a term of 5 years only without review; the depot underlease contains 7 yearly upwards only rent reviews; the parking area and electricity transformer chamber underleases contain no provision for rent review.</p> <p>With the exception of the parking area and electricity transformer chamber underleases, all the underleases contain effective full repairing and insuring terms with tenants reimbursing the landlord's costs by way of a service charge; the service charge liability under the underlease of 55 Charing Cross Road is fixed at £3,000 per annum. The tenant under the parking area underlease covenants to keep the demise in good repair and condition. The underlease contains no provision relating to insurance. There is one vacant unit.</p>	£1,040,062
	<p>The Newport Sandringham Development (the "Development") comprises three main elements. Firstly, retail and restaurant premises and a cleansing depot on the ground floor, mezzanine and part basement; secondly, an underground car park in the remaining basement area and below; thirdly, residential flats on the upper floors over the ground floor level which are separated from the lower floors by a podium at first floor level. The property subject to our valuation comprises those parts of the Development on the ground floor, mezzanine and part basement (firstly described above) at 51/79 (odd numbers) Charing Cross Road, 28/35 (inclusive) Newport Court and 10/18 (even numbers) Newport Place, London WC2. It also includes a covered service road and an electricity transformer chamber.</p> <p>The subject property is held on a 200 year lease from 24 June, 1996, at a fixed peppercorn rent. The freeholder, the City of Westminster, has retained the structure, conducting media, external walls, roof and foundations of the Development together with liability for their repair and insurance. The tenant covenants to pay 15 per cent. of the landlord's costs relating to the podium, 30 per cent. in respect of the areas below the podium (excluding the foundations), 30 per cent. in respect of the foundations and an "equitable proportion" of the cost of common services and any works not falling within the above items. The tenant does not contribute to the landlord's costs in respect of parts of the Development above the podium. The headlease provides that the tenant's liabilities shall not be greater than those imposed on occupational tenants under leases originally granted by the freeholder, prior to the grant of the headlease.</p> <p>The subject property is subject to a right of pre-emption, which is contained in an Agreement dated 13 September, 1996. Please refer to section 5 of the report for details of this right and the assumptions we have made for the purpose of our valuation.</p>		

- (1) Use refers to actual use of premises at time of our inspection.
- (2) "Net annual rent" is defined in Section 4 of the report. There are outstanding rent reviews from March, 1995 in respect of 14 of the underleases. The net annual rent does not reflect the potential uplifts that may be achieved in respect of these reviews.
- (3) Total estimated net annual rent (based on current open market rental value) £1,154,320. The dates on which future changes in net annual rent are anticipated vary between individual leases over a period until 2014. "Estimated net annual rent" is defined in Section 4 of the report.
- (4) Abbreviations; "sq.m." represents square metres, "sq.ft." represents square feet.

Property and Tenure	Description and Use <sup>(1)</sup>	Terms of Existing Tenancies	Net <sup>(2)</sup> Annual Rent Receivable
Property held for development			
2. 37/38 Gerrard Street, London W1 Freehold.	<p>The property is situated on the south side of Gerrard Street in the heart of the area known as Chinatown (referred to more fully in 1 above).</p> <p>Originating, we believe, from the 18th Century, the building comprises ground floor and basement accommodation only, under a flat roof. The upper floors were demolished by fire approximately 20 years ago.</p> <p>It appears that works have been carried out in the past to the exposed flank walls of the first to third floors of the adjoining terraced buildings. In undertaking our valuation we have assumed that these works are sufficient to keep the adjoining buildings wind and watertight. There are flying shores in place from first floor level upwards to provide support to the adjacent buildings in the terrace. We have assumed that the works to the flank walls and these shores provide adequate protection and support to the adjacent buildings so as to satisfy the liability of the tenant or owner of the property in this regard. We have not made an allowance in our valuation for any expenditure in relation to the flying shores.</p> <p>The ground floor is used as a restaurant; the basement comprises kitchens and ancillary accommodation.</p> <p>The total net internal floor area is approximately 392 sq.m. (4,219 sq.ft.). The site area is approximately 260 sq.m. (2,796 sq.ft.).</p>	<p>The whole property is subject to a lease to New Hoo Wah Limited. The lease contains full repairing and insuring provisions subject to a schedule of condition whereby the tenant is not liable to put the property into a better state of repair than that in which it was at the date of the lease which was completed on 16 October, 1995. The lease expires on 15 October, 2000 and contains no provision for rent review.</p> <p>The lease further provides that, in the event of the confirmation of an enforcement notice served in respect of the property in relation to its use or condition, either party may terminate this lease on three months notice. Alternatively, the tenant may terminate the lease on receipt of an enforcement notice, even if not confirmed, by giving three months notice, such notice to be served within 14 days of receipt of the enforcement notice. Please refer to section 6 of the report for further details of the option and the assumptions we have made for the purpose of our valuation.</p>	£218,400

- (1) Use refers to actual use of premises at time of our inspection.
- (2) "Net annual rent" is defined in Section 4 of the report.
- (3) Total estimated net annual rent of the existing building (based on current open market rental value) £192,350, "Estimated net annual rent" is defined in Section 4 of the report.
- (4) Abbreviations: "sq.m." represents square metres, "sq.ft." represents square feet.
- (5) The property is within the Soho Conservation Area, but is not Listed.
- (6) Application for Conservation Area consent was made on 10 March, 1997, for the demolition of the property. A planning application of the same date was made for the demolition of the property and its replacement with a new restaurant, offices on first and second floors and four, two bedroom maisonettes on the third and fourth floors. The proposed area is 1,313 sq.m. gross (14,128 sq.ft.). The application had not been determined at the date of our valuation. The Company intends that the redevelopment will have commenced by the end of the first quarter of 1998, subject to obtaining the above consents and vacant possession of the property.

## PART VIII — Pro Forma Statement of Net Assets of the Enlarged Group

The Pro Forma Statement of Net Assets of the Enlarged Group set out below, is based on the audited consolidated net assets of Golden Land Investments Group and the Acquisitions as at 31 March, 1997. The statement is prepared for illustrative purposes only and because of its nature, cannot give a complete picture of the Enlarged Group's financial position:

	Enlarged Group before adjustments £'000 (Note 1)	£'000 (Note 2)	Adjustments £'000 (Note 3)	Pro Forma Enlarged Group £'000
<b>Fixed assets</b>				
Properties held for future development	297	—	—	297
Investment properties	10,862	—	—	10,862
Other tangible fixed assets	432	—	—	432
Investments	<u>1,056</u>	<u>—</u>	<u>—</u>	<u>1,056</u>
	<u>12,647</u>	<u>—</u>	<u>—</u>	<u>12,647</u>
<b>Current assets</b>				
Properties held for sale	590	—	—	590
Development in progress	1,434	—	—	1,434
Debtors	1,656	—	2,050	3,706
Bank balances and cash	<u>698</u>	<u>7,385</u>	<u>(5,084)</u>	<u>2,999</u>
	4,378	7,385	(3,034)	8,729
<b>Creditors: amounts falling due within one year</b>	<u>(6,559)</u>	<u>—</u>	<u>282</u>	<u>(6,277)</u>
<b>Net current (liabilities)/assets</b>	<u>(2,181)</u>	<u>7,385</u>	<u>(2,752)</u>	<u>2,452</u>
<b>Total assets less current liabilities</b>	10,466	7,385	(2,752)	15,099
<b>Creditors: amounts falling due after more than one year</b>	(2,308)	—	2,308	—
<b>Minority interests</b>	<u>(77)</u>	<u>—</u>	<u>—</u>	<u>(77)</u>
<b>Net assets</b>	<u>8,081</u>	<u>7,385</u>	<u>(444)</u>	<u>15,022</u>
<b>Net assets per Ordinary Share</b>				21.1p

# Notes

- The combined figures before any adjustments for the Enlarged Group have been derived as follows:—

	Golden Land Investments Group £'000	Jade Champion £'000	Wealth Enterprises £'000	Goldline Properties £'000	Enlarged Group before adjustments £'000
<b>Fixed assets</b>					
Properties held for future development	297	—	—	—	297
Investment properties	7,662	3,200	—	—	10,862
Other tangible fixed assets	432	—	—	—	432
Investments	752	—	288	16	1,056
	<u>9,143</u>	<u>3,200</u>	<u>288</u>	<u>16</u>	<u>12,647</u>
<b>Current assets</b>					
Properties held for sale	590	—	—	—	590
Development in progress	1,434	—	—	—	1,434
Debtors	1,602	54	—	—	1,656
Cash at bank and in hand	657	28	13	—	698
	<u>4,283</u>	<u>82</u>	<u>13</u>	<u>—</u>	<u>4,378</u>
<b>Creditors: amounts falling due within one year</b>	<u>(4,465)</u>	<u>(1,810)</u>	<u>(284)</u>	<u>—</u>	<u>(6,559)</u>
<b>Net current liabilities</b>	<u>(182)</u>	<u>(1,728)</u>	<u>(271)</u>	<u>—</u>	<u>(2,181)</u>
<b>Total assets less current liabilities</b>	8,961	1,472	17	16	10,466
Creditors: amounts falling due after more than one year	(1,247)	(1,061)	—	—	(2,308)
Minority interests	(77)	—	—	—	(77)
<b>Net assets</b>	<u>7,637</u>	<u>411</u>	<u>17</u>	<u>16</u>	<u>8,081</u>
<b>Net assets per Ordinary Share</b>	23.3p				

The figures for the Golden Land Investments Group have been extracted from the audited consolidated balance sheet as at 31 March, 1997 set out in Part III of this document. The figures for Jade Champion and Wealth Enterprises as at 31 March, 1997 have been extracted from the financial information set out in Parts V and VI respectively of this document.

The figures for Wealth Enterprises have been converted into sterling at the exchange rate ruling as at 31 March, 1997 of £1:HK\$12.60, which is not materially different to the exchange rate ruling as at 8 July, 1997 (the latest practicable date prior to the publication of this document).

The figure in respect of Goldline Properties is to account, on an equity accounting basis, for the Enlarged Group's 49 per cent. interest to be acquired in the net assets of Goldline Properties, based on the net assets at 31 March, 1997, extracted from the financial information set out in Part IV of this document. These net assets include an investment property of £12.9 million and a bank loan falling due within one year of £8.6 million.

- Adjustment to reflect the estimated net proceeds of the Rights Issue attributable to the Company of £7,384,823, comprising estimated gross proceeds of £8,084,823 less the estimated expenses of the Acquisitions and Rights Issue payable by the Company of £700,000;
- Adjustment to reflect the consideration for the Acquisitions of £444,000 and the repayment of indebtedness by the Company, Jade Champion, Wealth Enterprises and Goldline.

The consideration for the Acquisitions, comprising the payments for the net assets of each company to be acquired, and the indebtedness to be repaid are as follows:

	Consideration £'000	Long term indebtedness £'000	Short term indebtedness £'000	Other £'000	Total £'000
Jade Champion	411	1,061	—	—	1,472
Wealth Enterprises	17	—	282	—	299
Goldline Properties (49 per cent.)	16	—	—	2,050	2,066
Golden Land Investments Group	—	<u>1,247</u>	—	—	<u>1,247</u>
	<u>444</u>	<u>2,308</u>	<u>282</u>	<u>2,050</u>	<u>5,084</u>

The other payment of £2.05 million in respect of Goldline Properties represents the amount of the repayment of indebtedness to Celtic Swing that the Company has agreed to fund and which will be recoverable from Goldline Properties by the Company.

4. No adjustment has been made to reflect any trading of, or any development work undertaken by, the Enlarged Group since 31 March, 1997 and no account has been taken of any fair value adjustments which may arise as a result of the Acquisitions.
5. (a) Net assets per share for the Golden Land Investments Group have been calculated on the basis of 32,724,284 shares in issue before the Acquisitions and Rights Issue.
- (b) Net assets per share for the Enlarged Group have been calculated on the basis of 71,223,442 shares in issue after the Acquisitions and Rights Issue.

### **Risk Factors**

Your Directors believe that the Enlarged Group enjoys a suitable geographic balance of businesses and assets and intends to manage the affairs of the Enlarged Group with a view to minimising the degree to which the Enlarged Group is exposed to risk, in the context of seeking the best possible returns to shareholders.

There are inherent risks in the transaction of business in China and in Hong Kong. Since 1978, China has undergone a dramatic change in economic development from a centrally-controlled and planned economic system to a more open market system, termed a “market economy with socialist characteristics”. Whilst China has enjoyed very rapid economic growth in recent years, significant inflationary pressure has been experienced recently and the Board believes that this will continue to be the case given the anticipated future economic growth rates. Controls exercised by the PRC government relating to foreign investment and particularly to exchange control, continue to be relaxed, although there is no certainty that this will continue. In the meantime, the government’s imposed austerity programme continues to be in effect, representing its administrative measures to control economic growth and inflationary pressures. Moreover, the inflationary influences referred to above may also exert pressure on the Renminbi relative to other foreign currencies.

Certain economic uncertainties exist relating to Hong Kong with the change of sovereignty on 1 July, 1997, from a British Dependent Territory to a Special Administrative Region of the PRC. Other political uncertainties exist vis-à-vis China, in terms of its succession of power within the central leadership and its on-going international relationships with major trading nations, in particular the United States of America.

### **Property ownership and property law in China**

Land in China is owned by the state or collectively by the people. Individuals and companies are permitted to hold, lease and develop land pursuant to “land use rights”, a concept similar to “leasehold” estate in England and Wales.

Upon remittance of an initial payment and subsequent annual “land use fees” and subject to continued compliance with the terms upon which the land use rights were granted, a holder of such land use rights may enjoy almost all rights of ownership during the term of such rights. Land use rights lawfully acquired are protected by law. However, provisions exist to revoke land use rights if the terms of the grant of such rights are not complied with. Land use rights may also be renewed upon payment of a new premium and the execution of a new grant contract.

Ownership of land use rights by foreign entities is usually permitted with approval from the relevant land administration body of the government and corporate structures required to hold and develop land use rights must comply with national legislation. There are restrictions in some regions regarding wholly-owned foreign enterprises engaging in property development although such restrictions vary.

Property law in China is still developing. The rights and obligations of parties are determined principally by reference to specific contracts. Disputes are usually resolved through arbitration or legal proceedings.

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### **Currency exchange and remission**

The PRC government imposes control over the convertibility of Renminbi into foreign currencies. On 1 January, 1994, the PRC established a unified floating exchange rate system largely based on market supply and demand. Under this system, the People's Bank of China ("PBOC") publishes a daily exchange rate for Renminbi based on the previous day's dealings in the inter-bank foreign exchange market. Financial institutions authorised to deal in foreign currency may enter into foreign exchange transactions at an exchange rate within an authorised range above or below the PBOC Exchange Rate according to market conditions.

Currently, foreign investment enterprises ("FIEs") are required to apply to the State Administration of Exchange Control ("SAEC") for "foreign exchange registration certificates for foreign investment enterprises", which are granted to FIEs upon fulfilling certain specified conditions. FIEs may enter into foreign exchange transactions to obtain foreign exchange for their needs upon approval by the SAEC. Currently, approval by the SAEC is granted on a transaction-by-transaction basis.

FIEs may remit funds earned in the PRC in foreign currencies subject to approval. Profits, interests and royalties earned by FIEs in local currency may be repatriated, subject either to the generation by the FIE of sufficient foreign exchange or alternatively, foreign exchange must be purchased. In either case, an application has to be submitted to the SAEC for approval of the repatriation of the funds.

### **Other risk factors**

Under Chinese Law, foreign joint venture agreements must be approved by and registered with the government authorities. Whilst the joint venture agreement relating to the Chunlai power station investment has been registered and is legally binding, the understanding referred to in Part I is not capable of being so registered and is thus not legally binding and therefore unenforceable should Yangchun Steel decide not to honour its terms.

Other risk factors include fluctuations in exchange rates generally and the possibility of changes in fiscal and other laws and regulations which may affect the Company and its investments.

## 1. Incorporation and Registered Office of the Company

- 1.1 The Company was incorporated under the Companies Acts 1948 to 1976 (registered number 1366078) in England as a private company on 3 May, 1978 under the name Smitwell Limited, with an authorised share capital of £100 divided into 100 ordinary shares of £1 each. The Company changed its name on 9 January, 1981 to Sandell (Contracts) Limited and on 17 November, 1986 to Sandell Investments Limited. On 15 April, 1988 the Company was re-registered as a public limited company under the name Sandell Group Plc. On 8 June, 1992 the Company changed its name to The Waterhouse Group PLC. On 25 July, 1996 the Company changed its name to Golden Land Investments PLC.
- 1.2 The Company's principal place of business, head office and registered office is Foxglove House, 166 Piccadilly, London W1V 9DE, England.
- 1.3 The Company's principal object, as set out in clause 4(A)(i) of its Memorandum of Association, is to carry on the business of a holding company.

## 2. SHARE CAPITAL

- 2.1 The following table shows the authorised and issued share capital of the Company as it is at present and as it will be following the issue of the new Ordinary Shares:

	Authorised Following the Present Rights Issue		Issued and Fully Paid Following the Present Rights Issue	
Ordinary Shares:				
Nominal value (£)	5,000,000	10,000,000	3,272,428	7,122,344
Number	50,000,000	100,000,000	32,724,284	71,223,442

Full conversion of the Warrants would require the issue of a further 2,500,000 Ordinary Shares.

The balance of 26,276,558 Ordinary Shares, equivalent to approximately 26.3 per cent. of the issued ordinary share capital of the Company, remains unissued and unreserved. The Directors consider it appropriate to maintain this level of available share capital to allow for future flexibility but, other than the anticipated issues of Ordinary Shares referred to above, they have no present intention of issuing any Ordinary Shares. No issue will be made which would effectively alter the control of the Company without the prior approval of holders of Ordinary Shares in a General Meeting.

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2.2 The following changes in the amount of authorised and issued share capital have occurred since 9 July, 1994:

- (a) by a special resolution passed on 25 July, 1996, the authorised share capital of the Company was increased from £500,000 to £5,000,000 by the creation of an additional 45,000,000 ordinary shares of 10 pence each and the Directors were unconditionally authorised in accordance with section 80 of the Act to allot relevant securities up to a nominal amount of £4,750,000;
- (b) on 1 August, 1996, 6,428,571 Ordinary Shares were issued at 25 pence per share pursuant to an 18 for 7 open offer to qualifying shareholders;
- (c) on 1 August, 1996, 23,795,713 Ordinary Shares were issued to Wiscarn Group Limited at the direction of Gold-Face and Quest Gold as part of the consideration for the sale of Golden Realty Limited and Euro-Asia Property Limited to the Company;
- (d) the special resolution to be proposed at the Extraordinary General Meeting would, *inter alia*, generally and unconditionally authorise the Directors, for the purposes of section 80 of the Act to allot relevant securities up to an aggregate nominal amount of £6,727,571 (representing approximately 205.6 per cent. of the issue share capital of the Company as at the date of this document) for a period expiring on 31 October, 1998 or the day immediately following the date of the next Annual General Meeting of the Company to be held after the date of the passing of the resolution. The Directors have no present intention to exercise this authority otherwise than pursuant to matters contemplated in this document;
- (e) the special resolution to be proposed at the Extraordinary General Meeting would, *inter alia*, empower the Directors, pursuant to section 95 of the Act, to allot equity securities as if section 89(i) of the Act did not apply to any such allotment. The power would be limited to the allotment of equity securities (i) up to an aggregate nominal amount of £3,849,916 in connection with the issue of new Ordinary Shares pursuant to the Rights Issue; (ii) in connection with an offer or invitation, open for acceptance for a period fixed by the Directors to holders of Ordinary Shares and such other equity securities of the Company as the Directors may determine; and (iii) otherwise pursuant to (i) and (ii) above having an aggregate nominal amount of up to 368,617 representing approximately 5 per cent. of the issued share capital of the Company immediately following the Rights Issue. The authority will terminate on 31 October, 1998 or the day immediately following the date of the next Annual General Meeting of the Company to be held after the date of the passing of the resolution.

### 3. The Enlarged Group

Details of the subsidiaries of the Enlarged Group (all of which will be wholly-owned save for Yieldful which is 90 per cent. owned) and Goldline Properties, which will be 49 per cent. owned by the Company, are set out in the table below. All of the subsidiaries so listed are consolidated, save for the interest in Goldline Properties which is treated as an associated company:

Name of company and registered office	Date of incorporation	Issued and fully paid up share capital	Country of incorporation	Principal business
R.B. Sandell & Co. Limited Foxglove House 166 Piccadilly London W1V 9DE England	6 December, 1972	£1,115	England & Wales	Office fitting, refurbishment contracting
Sandell Ceilings Limited Foxglove House 166 Piccadilly London W1V 9DE England	11 November, 1987	£2	England & Wales	Installation of suspended ceilings
Waterhouse Licensed Products Limited Foxglove House 166 Piccadilly London W1V 9DE England	16 November, 1988	£2	England & Wales	Office fitting, manufacture and distribution of partitioning systems
Euro-Asia Property Limited P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	4 April, 1996	£2,100,747	B.V.I.	Holding company
Golden Realty Limited PO. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	4 April, 1996	£1,002	B.V.I.	Holding company

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Name of company and registered office	Date of incorporation	Issued and fully paid up share capital	Country of incorporation	Principal business
Goldface Limited 39/41 Broad Street St. Helier Jersey JE4 8PU Channel Islands	13 February, 1987	£909,469	Jersey	Property investment
Modalmas Limited 39/41 Broad Street St. Helier Jersey JE4 8PU Channel Islands	23 October, 1987	£278,952	Jersey	Property investment
Admiralty Star Enterprises Limited Room 507 Silvercord, Tower 1 30 Canton Road Kowloon Hong Kong	19 August, 1986	Ordinary HK\$2 Deferred HK\$4,500,002	Hong Kong	Property investment
Magpies Company Limited Room 507 Silvercord, Tower 1 30 Canton Road Kowloon Hong Kong	31 October, 1986	Ordinary HK\$2 Deferred HK\$10,002	Hong Kong	Property investment
Ever Prospect Limited Offshore Chambers P.O. Box 217 Apia, Western Samoa	25 October, 1994	US\$1	Western Samoa	Property investment and development
Great Leaves Investment Limited Room 507 Silvercord, Tower 1 30 Canton Road Kowloon Hong Kong	14 August, 1987	Ordinary HK\$2 Deferred HK\$10,000	Hong Kong	Holding company

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Name of company and registered office	Date of incorporation	Issued and fully paid up share capital	Country of incorporation	Principal business
Jade Champion Worldwide Inc. P.O. Box 71 Craigmuir Chambers Road Town, Tortola British Virgin Islands	5 January, 1994	US\$1	B.V.I.	Property investment
Wealth Enterprises Limited Room 606, Silvercord, Tower 1 30 Canton Road Kowloon Hong Kong	30 May, 1991	Ordinary HK\$2 Deferred HK\$2	Hong Kong	Investment company
Purnell Enterprises Limited Suite 6, Mill Mall Wickham Cay 1 P.O. Box 3085 Road Town, Tortola British Virgin Islands	22 November, 1996	US\$1	B.V.I.	Investment holding
37 Hill Street Limited Foxglove House 166, Piccadilly London W1V 9DE England	27 October, 1996	£100	England & Wales	Property development
Yieldful Holdings Limited Room 507, Silvercord, Tower 1 30 Canton Road Kowloon Hong Kong	8 October, 1996	HK\$1,000	Hong Kong	Investment holding

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Name of company and registered office	Date of incorporation	Issued and fully paid up share capital	Country of incorporation	Principal business
Forster Consultants Limited P.O. Box 957 Offshore Incorporations Centre Road Town Tortola British Virgin Islands	4 April, 1996	US\$10	B.V.I.	Development and planning consultancy
Goldline Properties Limited 66 Shaftesbury Avenue London W1V 7DF England	6 June, 1996	£100	England & Wales	Investment company

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#### 4. Memorandum and Articles of Association

The Memorandum of Association of the Company provides that the Company's principal object is to carry on the business of a holding company. The objects of the Company are set out in full in Clause 4 of the Memorandum of Association which is available for inspection at the addresses and times specified in paragraph 14 below.

The Articles of Association of the Company contain provisions, *inter alia*, to the following effect:

##### 4.1 *Changes in capital*

Subject to the provisions of the Act, the Company in general meeting may from time to time by ordinary resolution increase its share capital consolidate and divide all or any of its share capital into shares of larger nominal amount than its existing shares cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the nominal amount of the shares so cancelled and sub-divide its shares or any of them into shares of a smaller nominal amount. The Ordinary Shares are in registered form.

##### 4.2 *Transfer of shares*

(a) Each member may transfer all or any of his or her shares:

- (i) where held in certificated form, by instrument or transfer in writing in any usual form or in any other form approved by the Board. Such instrument shall be executed by or on behalf of the transferor and, in the case of partly paid shares, by or on behalf of the transferee; and
- (ii) where held in uncertificated form, by means of a relevant system (as defined in the Uncertificated Securities Regulations 1995).

(b) The Board may decline to register any transfer of partly paid shares which are listed providing that any such refusal will not prevent dealings from taking place on an open and proper basis. The Board may also decline to register any transfer if they are

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permitted to do so by the Uncertificated Securities Regulations 1995. The Articles of Association contain no restrictions on the free transferability of fully paid shares provided that the transfer is in respect of only one class of share, is in favour of not more than four joint transferees and the provisions in the Articles of Association relating to registration of transfers have been complied with.

#### 4.3 *Dividends*

- (a) The Company may by ordinary resolution declare dividends to be paid to members of the Company, but no dividend shall be in excess of the amount recommended by the Board. The Board may declare and pay such interim dividends as appear to the Board to be justified by the profits of the Company available for distribution. Payment of dividends is subject always to there being profits available for distribution under the provisions of the Act.
- (b) All dividends unclaimed for a period of 12 years after having been declared shall (unless the Board otherwise resolves) be forfeited and revert to the Company.

#### 4.4 *Voting*

Subject to disenfranchisement in the event of non-compliance with a statutory notice requiring disclosure as to the beneficial ownership of shares and subject to any special rights or restrictions as to voting attached to any shares by or in accordance with the Articles, at any general meeting, on a show of hands, every member who is present in person or, being a corporation, represented by a corporate representative shall have one vote and on a poll every member present in person or by proxy shall have one vote for each share held by him.

#### 4.5 *Variation of rights and alteration of capital*

- (a) Whenever the share capital of the Company is divided into different classes and either whilst the Company is a going concern or during or in contemplation of a winding up, all or any of the rights for the time being attached to any share or class of shares may be modified or abrogated in such manner (if any) as may be provided by such rights or, in the absence of any such provisions, either with the consent in writing of the holders of not less than three quarters in nominal value of the issued shares of the class or group or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of the class (but not otherwise). To every such separate general meeting the provisions of the Articles relating to general meetings shall apply, but so that the quorum thereat shall be two or more persons holding or representing by proxy at least one third in nominal value of the issued shares of the class in question.
- (b) The Company may, subject to any conditions and consents required by law by special resolution reduce its share capital or any capital redemption reserve or share premium account in any manner.

## 5. Directors' and other interests

### (a) *Golden Land Investments*

- 5.1 The interests, as they are at present and as they will be following the Rights Issue (assuming that the Directors take up their full entitlement to new Ordinary Shares under the Rights Issue) of the Directors, as notified by each Director to the Company, pursuant to Section 324 or Section 328 of the Companies Act (the "Act"), or which are required pursuant to Section 325 of the Act to be entered in the register of Directors' interests, or the interests of all persons connected (within the meaning of Section 346 of the Act) with a Director which would, if the connected person were a Director, require disclosure under the above and the existence of which is known or could with reasonable diligence be ascertained by that Director in the issued capital of the Company, all of which are beneficial, are as follows:

Name	Note	Number of Warrants	Number of Ordinary Shares	
			At Present	Following the Rights Issue
Kuen Tai		—	—	—
David Ip	(i)	485,875	485,875	1,057,492
David Wong		—	—	—
Derek Wardell		—	—	—
Paul Tam	(ii)	—	5,600	12,188
Chi Fai Poon		—	—	—
David Collins		—	—	—
Simon Knott		5,000	17,857	38,865
Kevin Goldstein-Jackson	(iii)	12,500	12,500	27,205
Wong Fat Lau		—	—	—

#### Notes:

- (i) David Ip is deemed to be interested in the number of Ordinary Shares shown against his name by virtue of his interest in Quest Gold.
- (ii) Paul Tam is deemed to be interested in the number of Ordinary Shares against his name by virtue of the holding held in his wife's name.
- (iii) 10,000 Ordinary Shares and 10,000 warrants are held through Whittlesfield Nominees Limited on behalf of Kevin Goldstein-Jackson's personal pension scheme.

- 5.2 Save as disclosed above, as at the date of this document and following the Rights Issue, none of the Directors has or will have any interest in the share or loan capital of the Company. None of the Directors, any of their immediate families or related trusts, have dealt for value in any Ordinary Shares during the 12 months immediately preceding the date of this document.

- 5.3 As at 8 July, 1997 (being the latest practicable date prior to the publication of this document), the Company had been notified pursuant to the Act of the following persons who directly or indirectly were interested in three per cent. or more of the issued ordinary share capital of the Company and their interests assuming that they take up their full entitlement pursuant to the Rights Issue are:

Name	Number of Ordinary Shares	Percentage of issued Ordinary Share Capital	Number of Ordinary Shares after Rights Issue	Percentage of issued Ordinary Share Capital after Rights Issue
Wiseam Group Limited*	23,795,713	72.7	51,790,669	72.7
Fiske Nominees Limited a/c 10993	1,000,000	3.0	2,176,470	3.0
Fiske Nominees Limited a/c 10996	1,700,000	5.2	3,700,000	5.2

\* a subsidiary of Gold-Face

- 5.4 No contract of service between the Company and any Director, has been entered into or varied since the date of the last annual general meeting of the Company (at which date there were no such contracts exceeding one year in duration) and none is proposed to be entered into or varied. No variation to the total emoluments receivable by the Directors will be made in consequence of the Acquisitions and Additional Investments.
- 5.5 As at 8 July, 1997 (being the latest practicable date before the publication of this document), neither Mr. Kuen Tai, Mr. Chi Fai Poon nor other directors of Gold-Face nor their respective immediate families or related trusts had any interests in the ordinary share capital of the Company nor has any such person dealt for value in any existing Ordinary Shares during the twelve months immediately preceding the date of this document.
- 5.6 Save as disclosed in this paragraph 5, neither Gold-Face, nor any person acting in concert with it for the purposes of the Acquisitions and Additional Investments owns or controls or is beneficially or otherwise interested in the ordinary share capital of the Company nor has any such person dealt for value in any existing Ordinary Shares during the twelve months immediately preceding the date of this document.
- 5.7 No loan has been granted by any member of the group to any Director nor has any guarantee been provided by any member of the group for the benefit of any Director.
- 5.8 Save as disclosed in this paragraph 5, none of the Directors or their immediate families has or has had any interest in any transaction or transactions which are or were unusual in their nature or conditions or significant to the business of the Enlarged Group and which were effected by the Enlarged Group either during the current or immediately preceding financial year, or during an earlier financial year and remain in any respect outstanding or unperformed.
- 5.9 It is estimated that the aggregate amount payable to the Directors by the Enlarged Group for the 12 month financial period ending on 31 March, 1998 under the arrangements in force at the date of this document, will not exceed £250,000.

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5.10 Mr. Simon Knott has notified the Company that he has been actively involved in venture capital for over 30 years both through Rights and Issues Investment Trust PLC, of which he is now Chairman, and investment syndicates. He has further advised the Board that during this period the following companies, with which he has been involved, have entered receivership and been liquidated.

- (a) in 1965 he was appointed a director of Doric Holdings Limited, representing the interests of Rights and Issues Investment Trust PLC who held a convertible debenture. A receiver was appointed when Doric Holdings Limited defaulted under the terms of the debenture;
- (b) in 1966 he was appointed Chairman of Daws Limited, a public quoted company, following the discovery of major irregularities in that company. Following an investigation of the company's affairs at the request of financial advisers, Mr. Knott advised the trustee to debenture holders in the company to appoint a receiver;
- (c) in 1980 he was appointed a director of G B Jackson Associates Limited, representing the interests of a group of investors. The company incurred significant losses under a fixed price contract to supply computer software to a stockbroker. A receiver was appointed in February, 1983 at which time the company had an estimated deficit of approximately £1,500,000; and
- (d) in 1981 he was appointed a director of Telema Limited, representing United Computer and Technology Limited, of which he was a director and which invested in computer software companies. He resigned from the Board in 1982 and a liquidator was appointed shortly thereafter in August, 1982 at which time the company had an estimated deficit of approximately £400,000.

(b) *Gold-Face*

5.11 Neither the Company nor any of its subsidiaries has ever owned, controlled or been beneficially or otherwise interested in the share capital of Gold-Face.

5.12 As at 7 July, 1997 Mr. Kuen Tai and his immediate family and related trusts, were interested in 0.16 per cent. of the issued share capital of Gold-Face.

5.13 As at 7 July, 1997 Mr. Chi Fai Poon and his immediate family and related trusts, were interested in 0.014 per cent. of the issued share capital of Gold-Face.

5.14 Save as disclosed in this paragraph 5, none of the Directors, nor any member of their immediate families or related trusts owns or controls or is beneficially or otherwise interested in the share capital of Gold-Face nor has any such person dealt for value in the share capital of Gold-Face.

5.15 Save as disclosed, no pension fund of the Company or of its subsidiaries nor any bank, stockbroker, financial or other professional adviser (other than an exempt market maker) to the Company or any associate of the Company or any persons controlling, controlled by or under the same control as such bank, stockbroker, financial or other professional adviser, owns, controls or is interested, directly or indirectly, in any share capital of the Company.

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## 6. Material contracts and related party transactions

6.1 The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the date of this document and are or may be material:

- (a) An underwriting agreement (the "Underwriting Agreement") dated 9 July, 1997 between the Company (1) and Fiske & Co. Ltd. (2) pursuant to which Fiske & Co. Ltd has agreed to underwrite a certain proportion of the Rights Issue. The Underwriting Agreement is conditional, *inter alia*, upon the passing of the resolutions set out in the notice of the Extraordinary General Meeting, the London Stock Exchange admitting the new Ordinary Shares to the Official List and such listing becoming effective pursuant to the Listing Rules of the London Stock Exchange. The agreement provides for the payment to Fiske & Co. Limited of a flat fee of £15,000 and an underwriting fee of two per cent. of the value at the Rights Issue Price of the new Ordinary Shares subscribed for by persons other than Gold-Face and contains warranties concerning, *inter alia*, the accuracy of the Prospectus and provisions entitling Fiske & Co. Ltd to terminate the agreement in the event of breach or force majeure as the case may be.
- (b) A sponsorship agreement (the "Sponsorship Agreement") dated 9 July, 1997 made between (1) the Company (2) Deloitte & Touche Corporate Finance (3) the Directors and (4) Fiske & Co. Ltd pursuant to which Deloitte & Touche Corporate Finance ("the Sponsor") has agreed to act as sponsor in relation to the Rights Issue. The Sponsorship Agreement is conditional, *inter alia*, upon the passing of the resolutions set out in the notice of the Extraordinary General Meeting, the London Stock Exchange admitting the new Ordinary Shares to the Official List and such listing becoming effective pursuant to the Listing Rules of the London Stock Exchange. The agreement contains warranties concerning, *inter alia*, the accuracy of the Prospectus and provisions entitling Deloitte & Touche Corporate Finance to terminate the agreement in the event of breach or force majeure as the case may be.
- (c) A Sale and Purchase Agreement (with a Deed of Indemnity relating to taxation) dated 9 July, 1997 made between the Company (1) and Celtic Swing (2) whereby the Company agreed to purchase 49 per cent. of the issued share capital of Goldline Properties (the "Goldline Agreement"). The consideration for the purchase is £16,362 payable in cash on completion. In addition, the Company has agreed to the repayment by Goldline Properties of 49 per cent. of the intercompany loan of £4,182,688 due to Celtic Swing, namely £2,049,517. The Agreement contains representations, warranties and covenants by Celtic Swing in favour of the Company.

The completion of the Goldline Agreement is conditional on:

- (i) the passing of the resolutions set out in the notice of the Extraordinary General Meeting;
- (ii) the Underwriting Agreement becoming unconditional in all respects (save for listing of the New Ordinary Shares becoming effective) and not having been terminated in accordance with its terms; and
- (iii) listing of the new Ordinary Shares becoming effective by virtue of an appropriate announcement having been made in accordance with the Listing Rules of the London Stock Exchange.

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- (d) A Sale and Purchase Agreement (with a Deed of Indemnity relating to taxation) dated 9 July, 1997 made between the Company (1) and Gold-Face Investment (2) whereby the Company agreed to purchase the whole of the issued share capital of Jade Champion (the "Jade Champion Agreement"). The consideration for the purchase is £411,451 payable in cash on completion. In addition, the Company has agreed that Jade Champion will discharge the inter-company loan of £1,061,205 and to guarantee the repayment by Jade Champion of its indebtedness to Hongkong Bank of £1,684,109. The Agreement contains representation, warranties and covenants by Gold-Face Investment in favour of the Company.

The completion of the Jade Champion Agreement is subject to the same conditions as are set out in the Goldline Agreement.

- (e) A Sale and Purchase Agreement (with a Deed of Indemnity relating to taxation) dated 9 July, 1997 made between the Company (1) and Gold-Face Investment (2) whereby the Company agreed to purchase the whole of the issued share capital of Wealth Enterprises (the "Wealth Enterprises Agreement"). The consideration for the purchase is £17,358, payable in cash on completion. In addition the Company has agreed that Wealth Enterprises will discharge the inter-company loan of £281,587 and give an indemnity to the Vendor in respect of its counter guarantee to the Joint Venture Company, Beijing Sanjili Energy Corporation of 14,040,000 RMB in respect of existing bank facilities and to the extent possible seek to procure its release from such counter guarantee. The Agreement contains representations, warranties and covenants by Gold-Face Investment in favour of the Company.

The completion of the Wealth Enterprises Agreement is also subject to the same conditions as are set out in the Goldline Agreement.

- (f) A Sale and Purchase Agreement dated 20 December, 1996 between Purnell Enterprises Limited (1) and Guardheart Limited and Shahin Merali (2) whereby Purnell Enterprises Limited agreed to purchase the whole of the issued share capital of 37 Hill Street Limited on the terms set out in the Chairman's Letter which forms part of this document.
- (g) A Joint Venture Agreement dated 8 November, 1996 between Guangdong Yangchun Steel Group Company (1) and Yieldful Holdings Limited (2) establishing the joint venture corporation known as Chunlai Power Generation Limited and regulating its financing and business affairs.
- (h) A mutual undertaking given by each of the Company and Gold-Face to the other dated 1 July, 1996 under which those parties undertook, *inter alia*, to ensure that their relationship was conducted on an arm's length basis.

6.2 The following contract (not being entered into in the ordinary course of business) has been entered into by Goldline Properties within the two years immediately preceding the date of this document and is or may be material:

- an Agreement dated 13 September, 1996 between Goldline Properties (1) and Shaftesbury Plc (2) relating to the management by Shaftesbury Plc of the Newport Sandringham Property (entered into in the ordinary course of business) but which contains a right of pre-emption in favour of Shaftesbury Plc details of which are set out in paragraph 5 of the Valuer's Report set out in Part VII of this document.

6.3 No material contracts (not being contracts entered into in the ordinary course of business) have been entered into by Jade Champion within the two years immediately preceding the date of this document.

6.4 The following contract (not being entered into in the ordinary course of business) has been entered into by Wealth Enterprises within the two years immediately preceding the date of this document and is or may be material:

- a Joint Venture Agreement dated 8 July, 1995 between Beijing Sanjili Energy Corporation (1), Lianyungang Light Industry Development Corporation (2), Lianyungang Economic & Technical Development Zone Zhongyun Industrial Development Corporation (3) and Wealth Enterprises (4) establishing the joint venture corporation known as Lianyungang Sanjili Chemical Company Limited and regulating its financing and business affairs.

## 7. Principal Establishments

The Enlarged Group's principal establishments are set out below:

Address	Tenure	Area	Primary Rent	Lease expiry date
Foxglove House 166 Piccadilly London W1V 9DE England	Leasehold	180 sq.m.	£30,400	28 September, 2004
37/38 Gerrard Street London W1 England	Freehold	392 sq.m.	—	—

## 8. Litigation

Neither Golden Land Investments nor any of its subsidiary companies is involved in any legal or arbitration proceedings, which may have or have had, during the 12 month period preceding the date of this document, a significant effect on the financial position of the Enlarged Group, nor, so far as the Company is aware, are any such proceedings pending or threatened by or against the Company or any member of the Enlarged Group.

Goldline Properties is not involved in any legal or arbitration proceedings, which may have or have had, during the 12 month period preceding the date of this document, a significant effect on the financial position of Goldline Properties, nor, so far as the Company is aware, are any such proceedings pending or threatened by or against Goldline Properties.

Jade Champion is not involved in any legal or arbitration proceedings, which may have or have had, during the 12 month period preceding the date of this document, a significant effect on the financial position of Jade Champion, nor, so far as the Company is aware, are any such proceedings pending or threatened by or against Jade Champion.

Wealth Enterprises is not involved in any legal or arbitration proceedings which may have or have had, during the 12 month period preceding the date of this document, a significant effect on the financial position of Wealth Enterprises, nor, so far as the Company is aware, are any such proceedings pending or threatened by or against Wealth Enterprises.

## 9. Working capital

The Company considers that, taking into account the bank and other facilities available and the proceeds of the Rights Issue, the Enlarged Group has sufficient working capital for its present requirements.

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## 10. Indebtedness

At the close of business on 31 May, 1997, the Enlarged Group had outstanding borrowings of £6,612,594, comprising secured bank overdrafts of £680,869, secured bank loans of £3,343,946 and unsecured other loans of £2,587,779. The unsecured other loans were repayable to the Gold-Face Group.

Save as disclosed above, and apart from intra-Group indebtedness, at the close of business on 31 May, 1997, the Enlarged Group did not have any loan capital outstanding or created but unissued, nor any term loans or other borrowings or indebtedness in the nature of borrowing, including bank overdrafts, liabilities under acceptance (other than normal trade bills) or acceptance credits, hire purchase commitments, obligations under finance leases, mortgages, guarantees or other contingent liabilities.

The indebtedness of the Enlarged Group does not include that of Goldline Properties. The financial information relating to Goldline Properties is set out in Part IV of this document.

At the close of business on 31 May, 1997, the Enlarged Group had cash balances of £505,213 of which £88,480 was held as security by the banks.

## 11. Consents

- (i) Deloitte & Touche Corporate Finance has given and has not withdrawn its written consent to the inclusion in this document of its name in the form and context in which they are included and has authorised the contents of those parts of this document for the purposes of Section 152(1)(e) of the Financial Services Act 1986 ("FSA");
- (ii) Deloitte Touche Tohmatsu and Deloitte & Touche have given and have not withdrawn their written consent to the inclusion in this document of their reports and their respective names in the form and context in which they are included and have authorised the contents of those parts of this document for the purposes of Section 152(1)(e) of the FSA;
- (iii) DTZ Debenham Thorpe, International Property Advisers, have given and have not withdrawn their written consent to the inclusion in this document of their report and their name in the form and context in which they are included and have authorised the contents of those parts of this document for the purposes of Section 152(1)(e) of the FSA.

## 12. Market quotations

The table below sets out the middle market quotation of the Ordinary Shares for the first dealing day in each of the six months prior to the announcement of the proposals and 8 July, 1997 (being the latest practicable date prior to the publication of this document), as derived from the London Stock Exchange Daily Official List:

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3 February, 1997	27½p
3 March, 1997	27½p
1 April, 1997	27½p
1 May, 1997	27½p
2 June, 1997	27½p
1 July, 1997	27½p
8 July, 1997	27½p

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### 13. General

- (i) the expenses of or incidental to the Rights Issue and the Acquisitions are estimated to amount to approximately £700,000 including amounts payable to financial intermediaries (exclusive of VAT) and are payable by the Company;
- (ii) the Rights Issue Price represents a premium of 11p per Ordinary Share over the nominal value of 10p per Ordinary Share. All expenses relating to the Acquisitions and the Rights Issue are payable by the Company. None is specifically charged to any subscriber or guarantor;
- (iii) save as disclosed in Part III and IV of this document, there has been no significant change in the financial or trading position of either the Golden Land Investments Group or Goldline Properties since 31 March, 1997, the end of the period for which the last audited accounts were prepared;
- (iv) save as disclosed in the Accountants' Report set out in Part V of this document, there has been no significant change in the financial or trading position of Jade Champion since 31 March, 1997, the date to which the last audited accounts were prepared;
- (v) save as disclosed in the Accountants' Report set out in Part VI of this document, there has been no significant change in the financial or trading position of Wealth Enterprises since 31 March, 1997, the date to which the last audited accounts were prepared;
- (vi) save as disclosed in this document, no agreement, arrangement or understanding (including any compensation arrangement) exists between Gold-Face or any person acting in concert with Gold-Face, and any of the Directors, recent directors, shareholders or recent shareholders of the Company having any connection with or dependence on, or which is conditional on the outcome of, Acquisitions and Additional Investments;
- (vii) no proposal exists in connection with the Acquisitions and Additional Investments that any payment or other benefit is to be made or given by Gold-Face to any Director as compensation for loss of office or as consideration for, or in connection with, his retirement from office;
- (viii) no arrangement exists between any person and Gold-Face or any associate of or person acting in concert with Gold-Face in relation to any Ordinary Shares including any indemnities or option arrangements, any agreement, arrangement or understanding, formal or informal, of whatever nature, which may be an indemnity or option arrangement, any inducement to deal or refrain from dealing in Ordinary Shares. In this paragraph, reference to any "associate" of Gold-Face, means:
  - (a) any bank, financial and other professional adviser (including any stockbroker) to any of Gold-Face, including any persons controlling, controlled by or under the same control as any such bank, financial or other professional adviser; and
  - (b) directors of any of Gold-Face (together with their immediate families and related trusts);
  - (c) their respective subsidiaries, associated companies and companies of which any of them or any such subsidiaries or associated companies are associated companies ("relevant companies");
  - (d) the pension funds of Gold-Face or any company covered in (a) above;
  - (i) references to a "bank" do not include a bank whose sole relationship with Gold-Face is the provision of normal commercial banking services;

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- (ii) ownership or control of 20 per cent. or more of the equity share capital is regarded as a test of associated company status and "control" means a holding, or aggregate holdings, or shares carrying 30 per cent. or more of the voting rights attributable to the share capital of a company which are currently exercisable at a general meeting, irrespective of whether the holding or aggregate holding gives *de facto* control;
  - (ix) no Director has or has had during the current or immediately preceding financial year, any interest in transactions which are or were unusual in their nature or conditions, or significant to the business of the Enlarged Group, nor has any such transaction taken place during an earlier financial year and remains in any respect outstanding or unperformed;
  - (x) the Ordinary Shares of the Company currently in existence are listed on the London Stock Exchange;
  - (xi) save for the new Ordinary Shares issued to Qualifying Shareholders in relation to the Rights Issue, no shares have been marketed or made available to the public in conjunction with the application; and
  - (xii) the following exchange rates have been used in the preparation of this document, where the sterling equivalent of amounts denominated in foreign currencies is shown, unless otherwise stated:

£1 = HK\$12.60  
£1 = RMB13.50

#### 14. Documents available for inspection

Copies of the following documents will be available for inspection at the offices of Penningtons, Bucklersbury House, 83 Cannon Street, London EC4N 8PE during normal business hours on any weekday (Saturdays and public holidays excepted) up to and including 1 August, 1997:

- (i) the Memorandum and Articles of Association of the Company;
- (ii) the audited accounts of the Company in respect of the financial year ended 30 September, 1994 and the 15 months ended 31 December, 1995 and the audited financial statements for the 15 months ended 31 March, 1997;
- (iii) the audited accounts of Goldline Properties in respect of the financial period from 6 June, 1996 to 31 March, 1997.
- (iv) the Accountants' Reports set out in Parts V and VI of this document;
- (v) the Valuers' Report on the properties of the Enlarged Group set out in Part VII of this document;
- (vi) the material contracts referred to in paragraph 6 above and, where not in English, a certified translation thereof and those material contracts of the Company entered into in the last two years previously made available for inspection;
- (vii) the Directors' service contracts;
- (viii) the consents referred to in paragraph 11 above; and
- (ix) a mutual undertaking between the Company and Gold-Face under which Gold-Face and the undertakings under its control undertake not to carry on a business which conflicts with that of the Group.

**Golden Land Investments PLC**  
**(Registered in England and Wales — No. 1366078)**

NOTICE IS HEREBY GIVEN that an EXTRAORDINARY GENERAL MEETING of the above-named Company will be held at Foxglove House, 166 Piccadilly, London W1V 9DE at 11:35 a.m. on 1 August, 1997 (or so soon thereafter as the Annual General Meeting of the Company convened for 11:30 a.m. and at the same place shall have been concluded or adjourned) to consider and, if thought fit, to pass the following Resolutions of which resolution 1 will be proposed as an ordinary resolution and resolution 2 will be proposed as a special resolution.

**ORDINARY RESOLUTION**

1. **THAT** conditional upon the passing of resolution 2 below:
  - (a) the proposed acquisition by the Company of 49 per cent. of the issued share capital of Goldline Properties Limited (the "Goldline Acquisition") upon the terms and subject to the conditions contained in the conditional agreement dated 9 July, 1997 between (1) the Company and (2) Celtic Swing Limited, a copy of which has been produced to the meeting and for the purpose of identification initialled by the Chairman, be and is hereby approved and the Directors be and are hereby authorised to complete the Goldline Acquisition and to take such further action in connection therewith as they in their absolute discretion think fit;
  - (b) the proposed acquisition by the Company of the whole of the issued share capital of Jade Champion Worldwide Inc. (the "Jade Champion Acquisition") upon the terms and subject to the conditions contained in the conditional agreement dated 9 July, 1997 between (1) the Company and (2) Gold-Face Investment Holdings Limited, a copy of which has been produced to the meeting and for the purpose of identification initialled by the Chairman be and is hereby approved and the Directors be and are hereby authorised to complete the Jade Champion Acquisition and to take such further action in connection therewith as they in their absolute discretion think fit; and
  - (c) the proposed acquisition by the Company of the whole of the issued share capital of Wealth Enterprises Limited (the "Wealth Enterprises Acquisition") upon the terms and subject to the conditions contained in the conditional agreement dated 9 July, 1997 between (1) the Company and (2) Gold-Face Investment Holdings Limited, a copy of which has been produced to the meeting and for the purpose of identification initialled by the Chairman be and is hereby approved and the Directors be and are hereby authorised to complete the Wealth Enterprise Acquisition and to take such further action in connection therewith as they in their absolute discretion think fit.

**SPECIAL RESOLUTION**

2. **THAT:**
  - (a) the authorised share capital of the Company be increased from £5,000,000 to £10,000,000 by the creation of an additional 50,000,000 ordinary shares of 10p each in the capital of the Company ranking *pari passu* with the existing ordinary shares of 10p each in the Company;
  - (b) the Directors be and they are hereby generally and unconditionally authorised in accordance with Section 80 of the Companies Act 1985 (the "Act"), to exercise all the powers of the Company to allot any relevant securities (as defined in sub-section (2) of the said Section 80) of the Company up to a maximum aggregate nominal amount of £6,727,571, representing 205.6 per cent. of the total ordinary share capital in issue as at 8 July, 1997, being the nominal amount of the unissued authorised share capital of the

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Company which exists immediately following the passing of this Resolution, such authority (unless previously revoked, varied or extended by the Company in general meeting) to expire on 31 October, 1998 or the day immediately following the date of the next Annual General Meeting of the Company to be held after the passing of this Resolution (if that shall be sooner), save that the Company may before such expiry make an offer or agreement which will or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities pursuant to such offer or agreement as if the authority conferred hereby had not expired;

- (c) pursuant to Section 95 of the Act, the Directors be and they are hereby empowered to allot equity securities (as defined in Section 94 of the Act) of the Company pursuant to the authority conferred by paragraph (b) of this Resolution as if sub-section (1) of Section 89 of the Act did not apply to such allotment provided that the power hereby granted shall be limited to allotments:

- (i) in connection with or pursuant to the Rights Issue and any rights issue being an offer of securities open for a period fixed by the Directors by way of rights to holders of ordinary shares in the Company and the other persons entitled to participate therein, in proportion (as nearly as may be) to such holders' holdings of such shares (or, as appropriate, to the numbers of shares which such other persons are for these purposes deemed to hold) on a fixed record date, in all cases subject to such exclusions or to such other arrangements as the Directors may think necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of any regulatory body or stock exchange in, any territory; and

- (ii) further, up to a maximum aggregate nominal amount of £368,617;

such power (unless previously revoked, varied or extended by the Company in general meeting) to expire on 31 October, 1998 or the day immediately following the date of the next Annual General Meeting of the Company to be held after the date of the passing of this Resolution (if that shall be sooner) save that the Company may before such expiry make an offer or agreement which will or might require equity securities to be allotted after such expiry and the Directors may allot equity securities pursuant to such offer or agreement as if the power conferred hereby had not expired.

Date: 9 July, 1997

Registered Office:  
Foxglove House,  
166 Piccadilly,  
London W1V 9DE

By Order of the Board

**D.A. Collins, F.C.A.,**  
*Company Secretary*

**Notes:**

1. A member who is entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and (on a poll) vote instead of him or her. A proxy need not be a member of the Company.
2. To be valid, the instrument of proxy and the power of attorney or other written authority (if any) under which it is signed or an office or notarially certified copy of such power or written authority, must be deposited at the offices of the Company's Registrars, Northern Registrars Limited not less than 48 hours before the time appointed for holding the meeting. A reply paid form of proxy is enclosed.