

The following is the text of a letter, summary of valuations and valuation certificates, prepared for the purposes of incorporation in this prospectus received from DTZ Debenham Tie Leung Limited, an independent valuer, in connection with their valuations as at 31st May, 2000 of the property interests of the Group.



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Formerly C Y Leung & Company
原梁振英測量師行

18th July, 2000

The Directors
FlexSystem Holdings Limited
1st Floor, PCL Group Building
18 Lee Chung Street
Chai Wan
Hong Kong

Dear Sirs,

In accordance with your instructions for us to value the property interests held by FlexSystem Holdings Limited (the “Company”) and its subsidiaries (hereinafter together referred to as the “Group”) in Hong Kong, the People’s Republic of China (the “PRC”) and Macau, we confirm that we have carried out inspections, made relevant searches and enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the open market values of such property interests as at 31st May, 2000 (the “date of valuation”).

Our valuation of each of the property interests represents its open market value which we would define as intended to mean “an opinion of the best price at which the sale of an interest in property would have been completed unconditionally for cash consideration on the date of valuation, assuming:—

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

Our valuations have been made on the assumption that the owners sell the property interests on the open market without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the values of the property interests.

In forming our opinion of the value of property interest in Group I which is owned and occupied by the Group in the PRC, we have valued the property interest by direct comparison approach assuming sale of such property interest in existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market. We have assumed that transferable land use right in respect of the property interest at nominal annual land use fee has been granted and that any premium payable has already been fully paid. We have assumed that the grantee or the owner of the property interest has free and uninterrupted rights to use or to assign the property interest for the whole of the unexpired term as granted. We have relied on the advice given by you regarding the title to the property interest.

Property interests in Groups II, III and IV which are rented/licenced by the Group in the PRC, Hong Kong and Macau respectively have no commercial value due to the prohibitions against assignment of the property interests or otherwise due to the lack of substantial profit rents.

We have been provided with extract of documents in relation to the title to the property interests in the PRC. We have not been provided with copies of the title documents relating to the property interests in Hong Kong and Macau but have caused searches to be made at the appropriate Land Registries. However, we have not inspected the original documents to ascertain any amendments. In the course of our valuation, we have relied to a very considerable extent on the information given to us by the Group and its legal advisers on PRC laws and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, completion dates of buildings, particulars of occupancy, licence/tenancy details, floor areas, floor plans and all other relevant matters. Dimensions, measurements and areas included in the attached valuation certificate are based on information provided to us by you and are therefore only approximations. We have not been able to carry out on-site measurements to verify the site and floor areas of the properties and we have assumed that the areas shown on the copies of the documents handed to us are correct. We have had no reasons to doubt the truth and accuracy of the information provided to us by you which is material to the valuations. We were also advised by you that no material facts have been omitted from the information supplied. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of each of the properties. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or other structural defects. No test was carried out on any of the services.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the property interests nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoing of any onerous nature which could affect their values.

Unless otherwise stated, all sums stated in our valuations are in Hong Kong dollars. The exchange rates adopted in our valuations are approximately US\$1=HK\$7.78 and HK\$1=RMB1.07 which were approximately the prevailing exchange rates as at the date of valuation.

We enclose herewith a summary of our valuations and our valuation certificates.

Yours faithfully,
for and on behalf of
DTZ Debenham Tie Leung Limited
K.B. Wong
Registered Professional Surveyor
A.H.K.I.S., A.R.I.C.S.
Director

Note: Mr. K.B. Wong is a Chartered Surveyor who has about 16 years' experience in the valuation of properties in Hong Kong, Macau and the PRC.

SUMMARY OF VALUATIONS

Property	Capital value in existing state as at 31st May, 2000 HK\$
Group I — Property interest owned and occupied by the Group in the PRC	
1. Unit No. 102, Block No. 6, London Garden, Grand Shanghai Garden, 1555 Caobao Road, Minhang District, Shanghai	350,000
Sub-total:	<u>350,000</u>
Group II — Property interests rented by the Group in the PRC	
2. Unit Nos. 301 and 302, Yixiang Building, 1599 Yanan West Road, Changning District Shanghai	No commercial value
3. Unit No. B-20, Basement, Yixiang Building, 1599 Yanan West Road, Changning District, Shanghai	No commercial value
Sub-total:	<u>No commercial value</u>

Property	Capital value in existing state as at 31st May, 2000 HK\$
Group III — Property interests licenced/rented by the Group in Hong Kong	
4. 1st Floor and Car Parking Space Nos. 10 and 13 on Ground Floor, PCL Group Building, 18 Lee Chung Street, Chai Wan, Hong Kong	No commercial value
5. Unit No. 204 on 2nd Floor, PCL Group Building, 18 Lee Chung Street, Chai Wan, Hong Kong	No commercial value
6. Unit No. 301 on 3rd Floor, PCL Group Building, 18 Lee Chung Street, Chai Wan, Hong Kong	No commercial value
7. Flat F on 21st Floor, Block 3, Pokfulam Gardens, 180 Pok Fu Lam Road, Pokfulam, Hong Kong	No commercial value

Sub-total:	<u>No commercial value</u>
Group IV — Property interest rented by the Group in Macau	
8. Unit I on 5th Floor and Car Parking Space No. A150 on Basement, Office Block, Edificio Zhu Kuan, Avenida Xian Xing Hai, Lote N24, Zona dos Novos Aterros do Porto Exterior, Macau	No commercial value

Sub-total:	<u>No commercial value</u>
Grand-total:	<u><u>350,000</u></u>

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31st May, 2000
Group I — Property interest owned and occupied by the Group in the PRC			
1. Unit No.102, Block No 6, London Garden, Grand Shanghai Garden, 1555 Caobao Road, Minhang District, Shanghai	<p>The property comprises a residential unit on the 1st level of a 7-storey residential building completed in 1996.</p> <p>The property comprises a gross floor area of approximately 106.34 sq.m.(1,145 sq.ft.).</p> <p>The land use rights of the property have been granted, with the term being unspecified yet, for residential use.</p>	The property is currently owner-occupied as a staff quarters.	HK\$350,000

Notes

- (1) Pursuant to a Sale Contract of Shanghai Local Sale Commodity Housing entered into between Shenzhen Jintian Real Estate Development Co, Ltd. (Shanghai Office)(“Party A”) and Flex System (Shanghai) Co., Ltd. (“Party B”) in which the Company has an attributable interest of 100%, Party B has agreed to purchase the property comprising a gross floor area of 106.34 sq.m. from Party A at a total consideration of RMB 373,194 for residential use.
- (2) The opinion of the Group’s legal adviser on PRC laws state, inter alia, that
 - (i) Flex System (Shanghai) Co., Ltd. (hereinafter referred to as the “WFOE”) has been duly incorporated and is validly existing in the PRC as a wholly foreign owned limited liability company with legal person status under the laws of the PRC.
 - (ii) The WFOE has entered into a sale and purchase contract with Shenzhen Jintian Real Estate Development Co., Ltd., a Shanghai Company, in connection with the purchase by the WFOE of Unit No. 102, Block No. 6, London Garden, Grand Shanghai Garden, 1555 Caobao Road, Minhang District, Shanghai (the “Property”). The sale and purchase contract constitutes a legal, valid and binding document. The rights and obligations of the parties thereto are protected under the laws of the PRC.
 - (iii) The WFOE has made application on 28th June, 2000 to the Real Estate Transaction Centre of Shanghai Minhang District to obtain a real estate title certificate to the Property. Upon obtaining the real estate title certificate, the WFOE will acquire full and absolute legal title to the property. The application is only a method of formality and there should be no legal impediment under the laws of the PRC that will hinder the issue of such title certificate, provided that the WFOE has satisfied all the requirement for obtaining a title certificate, which include, but not limit to, submission of all documents as required by the Real Estate Transaction Center of Shanghai Minhang District and payment of all applicable governmental duties and charges. No land premium is payable by the WFOE to obtain the real estate title certificate to the property.
 - (iv) The purchase price has already been fully paid by the WFOE.
 - (v) Upon obtaining the title certificate, the WFOE may transfer, rent, mortgage or otherwise dispose of the property in accordance with the laws and regulations of the PRC and the relevant provisions of the sale and purchase contract, subject that the title of the property can only be transferred to PRC entities or individuals for residential purposes.
 - (vi) As confirmed by the WFOE, the property is not currently being transferred, mortgaged, leased or involved in any contentious or non-contentious dispute.

- (3) We have relied on the aforesaid legal opinion and prepared our valuation based on the following assumptions:—
- (i) FlexSystem (Shanghai) Co., Ltd. is in possession of a proper legal title to the property and is entitled to transfer the property with the residual term of its land use rights at no extra land premium or other onerous payment payable to the PRC government.
 - (ii) All land premium and other costs of ancillary utilities services have been settled in full.
 - (iii) The design and construction of the property are in compliance with the local planning regulations and have been approved by the relevant authorities.
 - (iv) The property may be disposed of freely to local purchasers.
- (4) The status of title and grant of major approvals and licences in accordance with the information provided to us by the Group and the aforesaid legal opinion regarding the property are as follows:—

Sale and Purchase Contract	Yes
Real Estate Title Certificate	No

Property	Description and licence/tenancy particulars	Capital value in existing state as at 31st May, 2000
Group II — Property interests rented by the Group in the PRC		
2. Unit Nos. 301 and 302, Yixiang Building, 1599 Yanan West Road, Changning District, Shanghai	<p>The property comprises two office units on the 3rd level of a 10-storey office building plus a single level basement completed in 1995.</p> <p>The property has a total gross floor area of approximately 263 sq.m. (2,831 sq.ft.) and is currently occupied by the Group as offices.</p> <p>The property is currently rented by the Group for a term from 9th November 1998 to 8th May, 2000 and has been extended to 30th September, 2000 and at a total monthly rent of RMB14,399.25, exclusive of management fees and utilities charges.</p>	No commercial value
3. Unit No. B-20 Basement, Yixiang Building, 1599 Yanian West Road, Changning District, Shanghai	<p>The property comprises an unit on the basement level of a 10-storey office building plus a single level basement completed in 1995.</p> <p>The property has a gross floor area of approximately 40 sq.m. (430 sq.ft.) and is currently occupied by the Group as a store room.</p> <p>The property is currently rented by the Group for a term from 5th June, 2000 to 22nd July, 2000 and has been extended to 30th September, 2000 at a monthly rent of RMB800, exclusive of management fees and utilities charges.</p>	No commercial value
Group III — Property interests licenced/rented by the Group in Hong Kong		
4. 1st Floor and Car Parking Space Nos. 10 and 13 on Ground Floor, PCL Group Building, 18 Lee Chung Street, Chai Wan, Hong Kong	<p>The property comprises the entire 1st floor and 2 private car parking spaces on the ground floor of a 14-storey industrial building completed in 1980.</p> <p>The 1st floor has a saleable area of approximately 529.08 sq.m. (5,695 sq.ft.) and is currently occupied by the Group as computer workshop with ancillary office.</p> <p>The property is currently licenced by the Group for a term due to expire on 16th February, 2001 at a total monthly licence fee of HK\$61,700, exclusive of rates and management fees.</p>	No commercial value

Property	Description and licence/tenancy particulars	Capital value in existing state as at 31st May, 2000
5. Unit No. 204 on 2nd Floor, PCL Group Building, 18 Lee Chung Street, Chai Wan, Hong Kong	<p>The property comprises a workshop unit on the 2nd floor of a 14-storey industrial building completed in 1980.</p> <p>The property has a saleable area of approximately 64.10 sq.m. (690 sq.ft.) and is currently occupied by the Group as computer workshop with ancillary office.</p> <p>The property is currently licenced by the Group for a term due to expire on 31st December, 2000 at a monthly licence fee of HK\$7,845, exclusive of rates and management fees.</p>	No commercial value
6. Unit No. 301 on 3rd Floor, PCL Group Building, 18 Lee Chung Street, Chai Wan, Hong Kong	<p>The property comprises a workshop unit on the 3rd floor of a 14-storey industrial building completed in 1980.</p> <p>The property has a saleable area of approximately 93.37 sq.m. (1,005 sq.ft.) and is currently occupied by the Group as computer workshop with ancillary office.</p> <p>The property is currently licenced by the Group for a term due to expire on 31st March, 2001 at a monthly licence fee of HK\$12,350.50, exclusive of rates and management fees.</p>	No commercial value
7. Flat F on 21st Floor, Block 3, Pokfulam Gardens, 180 Pok Fu Lam Road, Pokfulam, Hong Kong	<p>The property comprises a domestic unit on the 21st floor of a 29-storey residential building completed in 1979.</p> <p>The property has a gross floor area of approximately 124.95 sq.m. (1,345 sq.ft.) and is currently occupied by the Group as staff quarters.</p> <p>The property is currently rented by the Group for a term of 2 years from 1st July, 2000 to 30th June, 2002 at a monthly rent of HK\$30,000, inclusive of rates and management fees.</p>	No commercial value

Property	Description and licence/tenancy particulars	Capital value in existing state as at 31st May, 2000
Group IV — Property interest rented by the Group in Macau		
8. Unit I on 5th Floor, and Car Parking Space No. A150 on Basement, Office Block, Edificio Zhu Kuan, Avenida Xian Xing Hai, Lote N24, Zona dos Novos Aterros do Porto Exterior, Macau	<p>The property comprises an office unit on the 5th floor and a private car parking space on the basement of a 20-storey office building erected upon a 3-storey plus basement commercial podium. The development was completed in 1997.</p> <p>The office unit has a gross floor area of approximately 255.11 sq.m. (2,746 sq.ft.) and is currently occupied by the Group as offices.</p> <p>The property is currently rented by the Group for a term from 15th May, 2000 to 15th May, 2002 at a monthly rent of MOP 5,492, for the 1st year of the term and MOP 8,238 for the 2nd year of the term, exclusive of management fees.</p>	No commercial value