

# Valuation Report

of

**(1) Lot No. 219, Lot No. 224 and  
The Remaining Portion of Lot No. 220 in  
Demarcation District No. 229**

**(2) Forty Four Agricultural Lots  
in Demarcation District No. 229**

**(3) No. 201 Wan Po Road, Tseung Kwan O  
(Tseung Kwan O Town Lot No. 85)**

Sai Kung, New Territories  
Hong Kong

Date : 3 February 2009  
Prepared for : Shaw Brothers (Hong Kong) Limited  
Report No. : 2/09/00009 (CKL/DC/CC/ay)



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Our Ref: 2/09/00009  
CKL/DC/CC/ay

3 February 2009



The Directors  
Shaw Brothers (Hong Kong) Limited  
Lot 220 Clear Water Bay Road  
Kowloon, Hong Kong

Dear Sirs

**Re: Property Valuation for Shaw Brothers (Hong Kong) Limited**

### 1.1 Instructions

We refer to the instructions from Shaw Brothers (Hong Kong) Limited (“the Company”) for us to carry out market valuation of the following properties in Sai Kung, New Territories, Hong Kong for the purpose of the privatization of the Company:

**Property 1** - Lot No. 219, Lot No. 224 and The Remaining Portion of Lot No. 220 in Demarcation District No. 229, Sai Kung, New Territories, Hong Kong

**Property 2** - The Remaining Portion of Lot No. 72, Lot No. 73, Lot No. 75, Lot No. 76, Section A of Lot No. 77, Section B of Lot No. 77, The Remaining Portion of Lot No. 77, Lot No. 78, Lot No. 79, Section A of Lot No. 80, Section B of Lot No. 80, The Remaining Portion of Lot No. 80, Lot No. 81, Lot No. 82, The Remaining Portion of Lot No. 83, The Remaining Portion of Lot No. 84, The Remaining Portion of Lot No. 96, The Remaining Portion of Lot No. 97, Lot No. 98, The Remaining Portion of Lot No. 99, Lot No. 100, Lot No. 101, Lot No. 102, Lot No. 103, Lot No. 104, Lot No. 105, Lot No. 106, Lot No. 107, Lot No. 108, Lot No. 109, Lot No. 110, Lot No. 112, Lot No.121, Lot No. 122, Lot No. 123, Lot No. 124, Lot No. 126, Lot No. 127, Section A of Lot No. 129, Section B of Lot No. 129, The Remaining Portion of Lot No. 129, Lot No. 130, Lot No. 132 and Lot No. 133 in Demarcation District No. 229, Sai Kung, New Territories, Hong Kong

**Property 3** - No. 201 Wan Po Road, Tseung Kwan O, Sai Kung, New Territories, Hong Kong (Tseung Kwan O Town Lot No. 85)

(hereinafter collectively referred to as “the Properties”)

## Property Valuation for Shaw Brothers (Hong Kong) Limited

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### 1.0 INTRODUCTION (CONT'D)

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#### 1.1 Instructions (Cont'd)

The registered owner of Property 3 is Hong Kong Movie City Company Limited (“HKMCCL”). We understand that the Company and/or its subsidiaries (“the Group”) has 35% interest in HKMCCL. For avoidance of doubt, our valuations relate to the 100% interest in the Properties and we have not sought to value the ownership companies, apportion the values or shares within each.

We understand that the Company would like to have our opinion of the market value of each of the Properties with due regard to the existing Government Lease provisions, the town planning zoning and approval of master layout plan and any hope value associated with them.

We have previously provided our valuation advice of Property 1 to another party in June 2008 and the relevant property information had been provided by your company to us. We are not aware of any actual and/or potential conflict of interest for us to handle this valuation assignment on behalf of your company.

We confirm that we have carried out an inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of market value as at 31 December 2008 (“the date of valuation”).

#### 1.2 Basis of Valuation

Unless otherwise stated, our valuation has been prepared in accordance with the “HKIS Valuation Standards on Properties” published by The Hong Kong Institute of Surveyors (“HKIS”) and our General Principles of Valuation, a copy of which is attached in Appendix No. 1. Where the Valuation Standards are silent on subjects requiring guidance, we would refer to “The RICS Valuation Standards” published by the Royal Institution of Chartered Surveyors (“RICS”) and the “International Valuation Standards” published by the International Valuation Standards Committee (“IVSC”) subject to variation to meet local established law, custom, practice and market conditions.

Our valuation of the property interests is made on the basis of the ‘Market Value’ adopted by the HKIS, set out as follows:

“Market Value is the estimated amount for which a Property should exchange on the Date of Valuation between a willing buyer and a willing seller in an arms-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.”

The redevelopment potential of Property 1 and Property 2 have been taken into consideration in the course of the market valuation.

Our valuation services have been executed in accordance with our Quality Assurance System, accredited by HKQAA via ISO 9001:2000 and our report prepared with reference to the assumptions, definitions and limiting conditions as set out in our General Principles of Valuation.

## Property Valuation for Shaw Brothers (Hong Kong) Limited

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### 1.0 INTRODUCTION (CONT'D)

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#### 1.3 Valuation Assumptions

Our valuation has been made on the assumption that the owners sells the Properties on the open market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which could serve to affect the value of the Properties.

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

#### 1.4 Valuation Methodology

For Property 1, we have adopted primarily the direct comparison method for the valuation of the property. We have made reference to transactions of properties which have potential for redevelopment for alternative uses. These properties are restricted under the government leases mainly for industrial uses and these sites have secured zoning/planning permission within such localities which are suitable for such higher alternative uses like residential and/or hotel, etc. Appropriate adjustments with regard to the market condition, development density, location, zoning, development potential, etc are made to allow for differences between the property under consideration and the comparable properties.

We have also cross-checked the abovementioned market valuation of Property 1 by making reference to the 'Before Land Value' of the Property (i.e. the site value in accordance with the existing lease conditions) and the likely level of 'Hope Value' arising from the potential of the Property for development into alternative uses.

For Property 2, we have also adopted the direct comparison method. We have made reference to transactions of properties which are in a similar locality, of the same or similar zoning and subject to a similar level of development potential. Appropriate adjustments with regard to the market condition, location, zoning, accessibility, etc are made to allow for differences between the property under consideration and the comparable properties.

Given the specialized nature of Property 3 and the lack of appropriate comparable property transactions in the market, we have assessed the value of Property 3 by the depreciated replacement cost ("DRC") approach. In adopting this approach to valuation, we have considered the key criteria, which satisfy the use of this approach:

- specialized nature of property;
- a market in isolation from the undertaking using it; and
- it is not practicable to prepare a reliable valuation based on the direct comparison method as the owner cannot at this point in time acquire a comparable property interest in the open market.

DRC is defined by the HKIS Valuation Standards on Properties as the "the current cost of replacement (reproduction) of a Property less deduction for the physical deterioration and all relevant forms of obsolescence and optimisation".

## Property Valuation for Shaw Brothers (Hong Kong) Limited

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### 1.0 INTRODUCTION (CONT'D)

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#### 1.5 Source of Information

We have relied to a considerable extent on the information provided to us by the Company. We have also accepted advice given to us on such matters as planning approvals, statutory notices, easements, tenure, occupation, floor area and other relevant matters.

Dimensions, measurements and areas included in the report are based on information contained in copies of documents provided to us and are therefore only approximations. No on site measurements have been taken.

We have not been instructed to independently verify the information provided to us. Our valuation is totally dependent on the adequacy and accuracy of the information supplied and/or the assumptions made. Should these prove to be incorrect or inadequate, the accuracy of our valuation may be affected.

#### 1.6 Title Investigation

We have not been provided with copies of the title documents relating to the Properties but we have caused searches to be made at the Land Registry. However, we have not examined the original documents to verify ownership or to ascertain the existence of any lease amendments which may not appear on the copies handed to us. All documents and leases have been used for reference only and all dimensions, measurements and areas are approximate.

#### 1.7 Site Investigation

We have not carried out site measurements to verify the correctness of the site areas of the Properties and have assumed that the site areas shown on the documents and official site plans handed to us are correct.

We were not instructed to carry out any investigations on site in order to determine the suitability of ground conditions and services, nor did we undertake archaeological, ecological or environmental surveys. In the course of our valuation, we have assumed that as at the date of valuation these aspects are satisfactory and that where developments are contemplated, no extraordinary expenses or delays will be incurred during the construction period due to these, or to archaeological or ecological matters. Should it be established subsequently that contamination exists at the Property or on any neighbouring land, or that the premises have been or are being put to any contaminative use, we reserve the right to adjust the values reported herein.

## Property Valuation for Shaw Brothers (Hong Kong) Limited

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### 1.0 INTRODUCTION (CONT'D)

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#### 1.8 Property Inspection

We inspected Property 1 and Property 2 on 2 January 2009 and Property 3 on 6 January 2009. However, we have not conducted structural surveys and, as such, we cannot report that the Properties are free from rot, infestation or any other structural defects. We have not carried out a building survey. We cannot express an opinion about or advise upon the condition of uninspected parts and this report should not be taken as making any implied representation or statement about such parts. No tests have been carried out to any of the services.

We have not arranged for any investigation to be carried out to determine whether or not any deleterious or hazardous material has been used in the construction of the Properties, or has since been incorporated, and we are therefore unable to report that the Properties are free from risk in this respect. For the purpose of this valuation, we have assumed that such investigation would not disclose the presence of any such material to any significant extent.

#### 1.9 Potential Tax Liabilities

According to the information prepared by the Company, the potential tax liabilities which would arise on the disposal of the property interests include profits tax in Hong Kong. The value enhancement between the existing use value and value based on change of use may attract profits tax at 16.5% (prevailing profit tax rate) in Hong Kong on the disposal of the property interests.

#### 1.10 Limiting Conditions

The continued turmoil and instability in the financial markets is continuing to cause volatility and uncertainty in the world's capital markets and real estate markets. There are low levels of liquidity in the real estate market and transaction levels are significantly reduced, resulting in a lack of clarity as to pricing levels and the market drivers. This, combined with a general weakening of sentiment towards real estate, has resulted in a continual reappraisal of local property prices. Many transactions that are occurring involve vendors who are more compelled to sell, or purchasers who will only buy at discounted prices. In this environment, prices and values are going through a period of heightened volatility whilst the market absorbs the various issues and reaches its conclusions.

**Property Valuation for Shaw Brothers (Hong Kong) Limited**

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**1.0 INTRODUCTION (CONT'D)**

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**1.11 Report**

The summary of valuation and valuation certificates of the Properties follow.

Yours faithfully  
For and on behalf of  
**Jones Lang LaSalle Limited**



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C K Lau MHKIS, MRICS, RPS(GP)  
International Director  
*Licence No.: E-131615*

*Note: Mr. Lau is a qualified surveyor and a Registered Professional Surveyor. He has over 20 years of valuation and advisory experience in Hong Kong.*

**Property Valuation for Shaw Brothers (Hong Kong) Limited**

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**2.0 SUMMARY OF VALUATION**

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	<b>Market Value as at 31 December 2008 (HK\$)</b>
1. Lot No. 219, Lot No. 224 and The Remaining Portion of Lot No. 220 in Demarcation District No. 229, Sai Kung, New Territories, Hong Kong	1,090,000,000
2. The Remaining Portion of Lot No. 72, Lot No. 73, Lot No. 75, Lot No. 76, Section A of Lot No. 77, Section B of Lot No. 77, The Remaining Portion of Lot No. 77, Lot No. 78, Lot No. 79, Section A of Lot No. 80, Section B of Lot No. 80, The Remaining Portion of Lot No. 80, Lot No. 81, Lot No. 82, The Remaining Portion of Lot No. 83, The Remaining Portion of Lot No. 84, The Remaining Portion of Lot No. 96, The Remaining Portion of Lot No. 97, Lot No. 98, The Remaining Portion of Lot No. 99, Lot No. 100, Lot No. 101, Lot No. 102, Lot No. 103, Lot No. 104, Lot No. 105, Lot No. 106, Lot No. 107, Lot No. 108, Lot No. 109, Lot No. 110, Lot No. 112, Lot No.121, Lot No. 122, Lot No. 123, Lot No. 124, Lot No. 126, Lot No. 127, Section A of Lot No. 129, Section B of Lot No. 129, The Remaining Portion of Lot No. 129, Lot No. 130, Lot No. 132 and Lot No. 133 in Demarcation District No. 229, Sai Kung, New Territories, Hong Kong	24,600,000
3. No. 201 Wan Po Road, Tseung Kwan O, Sai Kung, New Territories, Hong Kong	1,642,000,000
<b>Total</b>	<b>HK\$2,756,600,000</b>

**Property Valuation for Shaw Brothers (Hong Kong) Limited**
**3.0 VALUATION CERTIFICATE**

<b>Property</b>	<b>Description, age and tenure</b>	<b>Particulars of occupancy</b>	<b>Market value as at 31 December 2008</b>										
1. Lot No. 219, Lot No. 224 and The Remaining Portion of Lot No. 220 in Demarcation District No. 229, Sai Kung, New Territories, Hong Kong	<p>The Property is situated at the north-eastern side of Clear Water Bay Road to the immediate south of the campus of the Hong Kong University of Science and Technology.</p> <p>The Property comprises part of a film studio including ancillary office and staff quarters situated on three lots in Demarcation District No. 229 (DD 229).</p> <p>The film studio and ancillary office are situated on the Remaining Portion of Lot No. 220 in DD 229 (“the Film Studio Lot”) whereas the staff quarters are situated on Lot Nos. 219 and 224 in DD 229 (“the Staff Quarters Lots”).</p> <p>The Film Studio Lot is separated from the Staff Quarters Lots by an access road which is currently government land.</p> <p>Site area breakdown of the respective lots of the Property is listed as follows:</p> <table border="1" data-bbox="535 1480 852 1673"> <thead> <tr> <th><b>Lot No. in Demarcation District No.229</b></th> <th><b>Approximate Site Area (m<sup>2</sup>)</b></th> </tr> </thead> <tbody> <tr> <td>220 RP</td> <td>39,799</td> </tr> <tr> <td>219</td> <td>3,924</td> </tr> <tr> <td>224</td> <td>2,090</td> </tr> <tr> <td><b>Total Site Area</b></td> <td><b>45,813</b></td> </tr> </tbody> </table>	<b>Lot No. in Demarcation District No.229</b>	<b>Approximate Site Area (m<sup>2</sup>)</b>	220 RP	39,799	219	3,924	224	2,090	<b>Total Site Area</b>	<b>45,813</b>	<p>The buildings on the Film Studio Lot are currently owner-occupied. The staff quarters are currently occupied by the staff of the owner of the Property.</p>	<p>HK\$1,090,000,000 Hong Kong Dollars One Thousand and Ninety Million</p>
<b>Lot No. in Demarcation District No.229</b>	<b>Approximate Site Area (m<sup>2</sup>)</b>												
220 RP	39,799												
219	3,924												
224	2,090												
<b>Total Site Area</b>	<b>45,813</b>												

**Property Valuation for Shaw Brothers (Hong Kong) Limited**
**3.0 VALUATION CERTIFICATE (CONT'D)**

<b>Property</b>	<b>Description, age and tenure</b>	<b>Particulars of occupancy</b>	<b>Market value as at 31 December 2008</b>
1. Lot Nos. 219, 224 and 220 RP in DD 229  (Cont'd)	<p>The Film Studio Lot accommodates various buildings that were built in various phases between 1960's to 1990's. The buildings have been occupied as sound stages, store rooms, dressing rooms and make-up rooms, ancillary offices and film storage. The height of these buildings in the Film Studio Lot varies between approximately 12.7ft (3.87m) to 123.6ft (37.66m).</p>	-	-

The Staff Quarters Lots accommodate 3 buildings that were built in 1969 and 1978. The buildings vary from 4 to 6 storeys in height and accommodate a total of 134 residential units.

According to the approved building plans, the approximate gross floor area of the existing buildings on the subject site is as follows.

	<b>Approximate Gross Floor Area</b>	
	<b>(ft<sup>2</sup>)</b>	<b>(m<sup>2</sup>)</b>
Film Studio Lot	418,648	38,893
Staff Quarters Lots	83,999	7,804
<b>Total</b>	<b>502,647</b>	<b>46,697</b>

**Property Valuation for Shaw Brothers (Hong Kong) Limited**


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**3.0 VALUATION CERTIFICATE (CONT'D)**


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Property	Description, age and tenure	Particulars of occupancy	Market value as at 31 December 2008
1. Lot Nos. 219, 224 and 220 RP in DD 229  (Cont'd)	The lots are held under various New Grants (please refer to Note 3 below) for 99 years commencing on 1 July 1898 less the last three days which have been extended to expire on 30 June 2047 by virtue of the New Territories Leases (Extension) Ordinance. The current Government rent payable for the lots is 3% of the prevailing rateable value of the Property.	-	-

**Notes:**

- (1) The registered owner of the Property is Shaw Brothers (Hong Kong) Limited.
- (2) According to our recent Land Registry search, the following major encumbrances are registered against the Property:

Lot No. 219 in Demarcation District No. 229

- Modification letter dated 31 January 1969 vide Memorial No. SK82494
- Modification letter dated 12 August 1996 vide Memorial No. SK256337
- Particulars and Conditions of Extension of Lease Term Extending the Lease Term to 30 June 2047 dated 12 August 1996 vide Memorial No. SK260668
- Undertaking by Shaw Brothers (Hong Kong) Limited dated 18 September 1997 vide Memorial No. SK311735

Lot No. 224 in Demarcation District No. 229

- Modification letter dated 12 March 1975 vide Memorial No. SK87480
- Modification letter dated 30 May 1995 vide Memorial No. SK236246
- Particulars and Conditions of Extension of Lease Term dated 18 August 1995 vide Memorial No. SK237669
- Undertaking by Shaw Brothers (Hong Kong) Limited dated 18 September 1997 vide Memorial No. SK311735

The Remaining Portion of Lot 220 in Demarcation District No. 229

- Deed of Release Variation and Grant between HK-TVB Limited, Shaw Brothers (Hong Kong) Limited and Shaw Organisation Limited dated 30 April 1987 vide Memorial No. SK119679
- Deed of Covenant dated 3 July 1993 vide Memorial No. SK205733
- Modification Letter with Plan dated 13 November 1996 vide Memorial No. SK264064
- Undertaking by Shaw Brothers (Hong Kong) Limited dated 18 September 1997 vide Memorial No. SK311735

**Property Valuation for Shaw Brothers (Hong Kong) Limited**


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**3.0 VALUATION CERTIFICATE (CONT'D)**


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Property	Description, age and tenure	Particulars of occupancy	Market value as at 31 December 2008
1. Lot Nos. 219, 224 and 220 RP in DD 229	-	-	-

(Cont'd)

**Notes (Cont'd):**

(2) (Cont'd)

*The Remaining Portion of Lot 220 in Demarcation District No. 229 (Cont'd)*

- Order No. BSI 3/NT/00 (as per plan) by the Building Authority under S.27C (1) of the Buildings Ordinance in favour of Shaw Brothers (Hong Kong) Limited dated 29 June 2000 vide Memorial No. SK429378
- Order No. DH 0165/NT/03/C order by the Building Authority under section 27A of the Buildings Ordinance with plan dated 30 December 2003 vide Memorial No. SK584046

*We are not aware of any documents that are registered in the Land Registry showing the compliance of the abovementioned building orders. For the purpose of our valuation, we have not allowed for the costs, if any, required to comply with the above building orders. We have also assumed that no extraordinary delays or costs to the redevelopment of the Property will be caused by the building orders.*

(3) The use and development of the subject lots is governed by the respective New Grant documents and modification letters:

*The Remaining Portion of Lot No. 220 in DD 229 under New Grant No. 4945 as modified by the Modification Letter vide SK264064*

User	:	The lot shall be used for Film Studio purposes only (S.C. 3 (a))
Parking spaces	:	Spaces shall be provided for the parking, loading and unloading of not less than 40 motor vehicles (S.C. 8)
Height restriction	:	Shall not exceed a height of 559.2 feet above Colony principal datum (S.C. 10)
Maximum built over area	:	Shall not exceed 2/3 of the area of the lot (S.C. 10)

*The Remaining Portion of Lot No. 214 in DD 229 under New Grant No. 4197 as modified by Modification Letters vide SK76771 and SK85139*

User	:	The lot shall be used for film studio purposes only (S.C. 2)
Design, disposition and height	:	The design, disposition and height of any building shall be subject to the approval in writing of the District Commissioner, New Territories (S.C. 10)
Height restriction	:	Shall not exceed a height of 60 feet above the mean formation level of the site which formation level shall not more than 506 feet above Colony Principal Datum (S.C. 11)
Car parking space	:	For the parking of not less than 20 cars (S.C. 13)
Tree preservation	:	No trees growing on the lot shall be removed without prior written consent from the Forestry Officer (S.C. 32)

**Property Valuation for Shaw Brothers (Hong Kong) Limited**


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**3.0 VALUATION CERTIFICATE (CONT'D)**


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Property	Description, age and tenure	Particulars of occupancy	Market value as at 31 December 2008
1. Lot Nos. 219, 224 and 220 RP in DD 229	-	-	-

(Cont'd)

**Notes (Cont'd):**

(3) (Cont'd)

Lot No. 219 in DD 229 under New Grant No. 4816 as modified by Modification Letters vide SK82494 and SK256337

User	:	No building shall be erected on the lot except blocks or flats or dormitories for providing housing for the staff and employees of the grantee and dependent members of the families of such staff and employees, non-paying guests and domestic servants employed by the same (S.C. 3)
Development density	:	Accommodation shall be provided for not less than 210 persons and a minimum of 20 flats shall be provided and each one shall not exceed a gross floor area of 1,000 square feet each (S.C. 3)
Design and disposition	:	The design, and disposition of any building shall be subject to the approval in writing of the District Commissioner, New Territories (S.C. 15)
Height restriction	:	Shall not exceed a height of 513 feet above Colony Principal Datum (S.C. 16)
Maximum built over area	:	Shall not exceed 30% of the area of the lot (S.C. 16)
Car parking space	:	For the parking of motor vehicles at the rate of not less than one private car per floor per building (S.C. 17)
Vehicular access	:	No right of ingress or egress to or from the lot for the passage of motor vehicles except between points X and Y through Z shown and marked on the plan annexed thereto (S.C. 35)

(4) According to the Clear Water Bay Peninsula North Outline Zoning Plan No. S/SK-CWBN/3 dated 31 October 2006 ("the OZP"), the Property, the remaining lots of the whole film studio development ("Adjoining Land") and two adjoining government lands are zoned as Comprehensive Development Area (2) ("CDA (2)"). According to the explanatory statement of the OZP, the total site area of the CDA(2) zone is about 7.85 ha (approximately 78,500m<sup>2</sup> or 844,974ft<sup>2</sup>). The Property is in the order of around 62% of the total site area of the CDA(2) zone.

**Property Valuation for Shaw Brothers (Hong Kong) Limited**
**3.0 VALUATION CERTIFICATE (CONT'D)**

Property	Description, age and tenure	Particulars of occupancy	Market value as at 31 December 2008
1. Lot Nos. 219, 224 and 220 RP in DD 229	-	-	-

(Cont'd)

**Notes (Cont'd):**

- (5) On land designated “Comprehensive Development Area (2)” (“CDA(2)”), no new development or redevelopment shall result in a total development or redevelopment in excess of the restrictions as set out below or the plot ratio / gross floor area, site coverage and height of the existing domestic building, whichever is the greater. No addition, alteration and/or modification to an existing building (other than a building which was in existence on the date of the first publication in the Gazette of the notice of the draft development permission area plan) shall result in a total development in excess of the restrictions as set out below or the plot ratio / gross floor area, site coverage and height of the building, whichever is the greater.

The following is a summary of the plot ratio / gross floor area, site coverage and height of the building permitted under the OZP.

Sub-areas	Maximum Gross Floor Area (m <sup>2</sup> )		Maximum Plot Ratio		Maximum Site Coverage	Maximum Building Height (excluding basement(s))	
	Domestic	Non-domestic	Domestic	Non-domestic		No. of Storeys	Building Height (m)
Area (a)(i)	N.A.		1.5	N.A.	35%	8	24
Area (a)(ii)						6	18
Area (a)(iii)						3	9
Area (b)	N.A.	23,720	N.A.			5	22
Area (c)	4,000		N.A.			4	12

- (6) From the records in the Town Planning Board, the Master Layout Plan (MLP) of a proposed development at the CDA(2) zone has been approved under sections 4A and 16 of the Town Planning Ordinance. We have been advised that the proposed development in the CDA(2) zone will comprise a total of 614 residential units, 115 residential institution units, commercial / retail and car parking facilities. The total gross floor area of the proposed development in the CDA(2) zone is as follows:

Residential	:	99,222m <sup>2</sup>
Residential Institution (Hostel)	:	4,000m <sup>2</sup>
Commercial	:	23,720m <sup>2</sup>
Total	:	126,942m <sup>2</sup>

We have been advised by the Company that they have entered into a development agreement with the owner of the Adjoining Land for the redevelopment within the CDA(2) zone, and that according to the development agreement the Company will be entitled to a share of gross floor area of the proposed development in the CDA(2) zone. In the course of our valuation, we have based on the floor area entitlement as advised in determining the development potential of the Property.

**Property Valuation for Shaw Brothers (Hong Kong) Limited**


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**3.0 VALUATION CERTIFICATE (CONT'D)**


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Property	Description, age and tenure	Particulars of occupancy	Market value as at 31 December 2008
1. Lot Nos. 219, 224 and 220 RP in DD 229	-	-	-

(Cont'd)

**Notes (Cont'd):**

- (7) The Property is restricted under the government leases for film studio and ancillary offices purposes as well as staff quarters uses. To undertake the proposed development, the land grant restrictions have to be changed to be in line with the proposed development. Necessary modification of government leases or land exchange will have to be undertaken with the payment of land premium to be assessed by the Lands Department.

As advised by the Company, separate land grants will be undertaken for the entire CDA(2) zone. In particular, the land exchange for the Property will be undertaken under two re-grants, one will be the Film Studio Lot (i.e. the residential and commercial development site after re-grant) and the other will be the Staff Quarters Lots (i.e. the residential institution site after re-grant).

- (8) We have taken into account the redevelopment potential of the Property in the course of the market valuation. Our valuation of the Property is carried out with due regard to the existing Government Lease provisions, the town planning zoning and approval of master layout plan. We have also taken into account that the land exchanges are to be undertaken. Our valuation of the Property is made on the basis of its current redevelopment stage and that land exchanges have not been completed, and land premium has not been determined by the Lands Department and paid by the Company.
- (9) We understand that the Company has not got the development plans confirmed yet and that there are no development costs estimates prepared by the Company yet.

**Property Valuation for Shaw Brothers (Hong Kong) Limited**
**3.0 VALUATION CERTIFICATE (CONT'D)**

Property	Description, age and tenure	Particulars of occupancy	Market value as at 31 December 2008
2. The Remaining Portion of Lot No. 72, Lot No. 73, Lot No. 75, Lot No. 76, Section A of Lot No. 77, Section B of Lot No. 77, The Remaining Portion of Lot No. 77, Lot No. 78, Lot No. 79, Section A of Lot No. 80, Section B of Lot No. 80, The Remaining Portion of Lot No. 80, Lot No. 81, Lot No. 82, The Remaining Portion of Lot No. 83, The Remaining Portion of Lot No. 84, The Remaining Portion of Lot No. 96, The Remaining Portion of Lot No. 97, Lot No. 98, The Remaining Portion of Lot No. 99, Lot No. 100, Lot No. 101, Lot No. 102, Lot No. 103, Lot No. 104, Lot No. 105, Lot No. 106, Lot No. 107, Lot No. 108, Lot No. 109, Lot No. 110, Lot No. 112, Lot No. 121, Lot No. 122, Lot No. 123, Lot No. 124, Lot No. 126, Lot No. 127, Section A of Lot No. 129, Section B of Lot No. 129, The Remaining Portion of Lot No. 129, Lot No. 130, Lot No. 132 and Lot No. 133 in Demarcation District No. 229, Sai Kung, New Territories, Hong Kong	<p>The Property is situated at the north-eastern side of Clear Water Bay Road near Tai Po Tsai in Sai Kung.</p> <p>The Property comprises forty four agricultural lots in Demarcation District No. 229 (DD 229) which are clustered together to form a piece of elongated land.</p> <p>The Property is accessed through a path from neighbouring lots branching off Clear Water Bay Road.</p> <p>Site area breakdown of the respective lots of the Property are listed as follows:</p>	As advised by the Company, the Property is currently leased under a monthly license at HK\$13,500 per month for nursery and garden uses.	<b>HK\$24,600,000</b> Hong Kong Dollars Twenty Four Million and Six Hundred Thousand
	<b>Approximate Site Area</b>		
	<b>Lot No. in DD 229</b>	<b>(m<sup>2</sup>)</b>	<b>(ft<sup>2</sup>)</b>
	72 RP	495.387	5,332.3
	73	404.682	4,356.0
	75	202.341	2,178.0
	76	283.278	3,049.2
	77 s.A	101.171	1,089.0
	77 s.B	50.585	544.5
	77 RP	50.585	544.5
	78	485.619	5,227.2
	79	485.619	5,227.2
	80 s.A	283.278	3,049.2
	80 s.B	141.639	1,524.6
	80 RP	141.639	1,524.6
	81	283.278	3,049.2
	82	283.278	3,049.2
	83 RP	139.846	1,505.3
	84 RP	253.565	2,729.4
	96 RP	203.514	2,190.6
	97 RP	238.209	2,564.1
	98	323.746	3,484.8
	99 RP	467.919	5,036.7

**Property Valuation for Shaw Brothers (Hong Kong) Limited**
**3.0 VALUATION CERTIFICATE (CONT'D)**

Property	Description, age and tenure	Particulars of occupancy	Market value as at 31 December 2008
2. ("Lot No. 72 RP, whole of Lot Nos. 73, 75, 76, Lot Nos. 77 s.A, 77 s.B and 77 RP, whole of Lot Nos. 78 and 79, Lot Nos. 80 s.A, 80 s.B and 80 RP, whole of Lot Nos. 81 and 82, Lot Nos. 83RP, 84 RP, 96 RP, 97 RP, whole of Lot No. 98, Lot No. 99 RP and whole of Lot Nos. 100, 101, 102, 103, 104, 105, 106, 107, 108, 109, 110, 112, 121, 122, 123, 124, 126 and 127, Lot Nos. 129 s.A, 129 s.B and 129 RP and whole of Lot Nos. 130, 132 and 133 in DD 229")	Site area breakdown of the respective lots of the Property are listed as follows: (Cont'd)	-	-
	<b>Approx. Site Area</b>		
	<b>Lot No. in DD 229</b>	<b>(m<sup>2</sup>)</b>	<b>(ft<sup>2</sup>)</b>
	100	607.023	6,534.0
	101	566.555	6,098.4
	102	121.405	1,306.8
	103	202.341	2,178.0
	104	283.278	3,049.2
	105	202.341	2,178.0
	106	404.682	4,356.0
	107	202.341	2,178.0
	108	80.936	871.2
	109	202.341	2,178.0
	110	121.405	1,306.8
	112	121.405	1,306.8
	121	40.468	435.6
(Cont'd)	122	202.341	2,178.0
	123	364.214	3,920.4
	124	323.746	3,484.8
	126	647.492	6,969.6
	127	404.682	4,356.0
	129 s.A	161.873	1,742.4
	129 s.B	161.873	1,742.4
	129 RP	161.873	1,742.4
	130	202.341	2,178.0
	132	202.341	2,178.0
	133	121.405	1,306.8
	<b>Total</b>		
	<b>Site</b>	11,429.880	123,031.2
	<b>Area</b>		

The Property is held under Block Government Lease of Demarcation District No. 229 for 75 years commencing on 1 July 1898 less the last three days which have been extended to expire on 30 June 2047 by virtue of the New Territories Leases (Extension) Ordinance.

**Property Valuation for Shaw Brothers (Hong Kong) Limited**


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**3.0 VALUATION CERTIFICATE (CONT'D)**


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Property	Description, age and tenure	Particulars of occupancy	Market value as at 31 December 2008
2. Lot No. 72 RP, whole of Lot Nos. 73, 75, 76, Lot Nos. 77 s.A, 77 s.B and 77 RP, whole of Lot Nos. 78 and 79, Lot Nos. 80 s.A, 80 s.B and 80 RP, whole of Lot Nos. 81 and 82, Lot Nos. 83RP, 84 RP, 96 RP, 97 RP, whole of Lot No. 98, Lot No. 99 RP and whole of Lot Nos. 100, 101, 102, 103, 104, 105, 106, 107, 108, 109, 110, 112, 121, 122, 123, 124, 126 and 127, Lot Nos. 129 s.A, 129 s.B and 129 RP and whole of Lot Nos. 130, 132 and 133 in DD 229	-	-	-

(Cont'd)

**Notes:**

- (1) The registered owner of the Property is Shaw Brothers (Hong Kong) Limited.
- (2) According to our recent Land Registry search, the following encumbrances are registered against the Property.
  - a. Order No. CWP/S1/98872/08/NT by the Building Authority under S.24(1) of the Buildings Ordinance with plan vide Memorial No. 08071702320148 dated 31 May 2008 (Re: Lot No. 75 in Demarcation District No. 229)
  - b. Order No. CWP/S1/98817/08/NT by the Building Authority under S.24(1) of the Buildings Ordinance with plan vide Memorial No. 08071702320130 dated 31 May 2008 (Re: Lot No. 76 in Demarcation District No. 229)
  - c. Order No. CWP/S1/98815/08/NT by the Building Authority under S.24(1) of the Buildings Ordinance with plan vide Memorial No. 08071702320112 dated 31 May 2008 (Re: Section A of Lot No. 77 in Demarcation District No. 229)
  - d. Order No. CWP/S1/98816/08/NT by the Building Authority under S.24(1) of the Buildings Ordinance with plan vide Memorial No. 08071702320125 dated 31 May 2008 (Re: Section B of Lot No. 77 in Demarcation District No. 229)

**Property Valuation for Shaw Brothers (Hong Kong) Limited**


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**3.0 VALUATION CERTIFICATE (CONT'D)**


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Property	Description, age and tenure	Particulars of occupancy	Market value as at 31 December 2008
2. Lot No. 72 RP, whole of Lot Nos. 73, 75, 76, Lot Nos. 77 s.A, 77 s.B and 77 RP, whole of Lot Nos. 78 and 79, Lot Nos. 80 s.A, 80 s.B and 80 RP, whole of Lot Nos. 81 and 82, Lot Nos. 83RP, 84 RP, 96 RP, 97 RP, whole of Lot No. 98, Lot No. 99 RP and whole of Lot Nos. 100, 101, 102, 103, 104, 105, 106, 107, 108, 109, 110, 112, 121, 122, 123, 124, 126 and 127, Lot Nos. 129 s.A, 129 s.B and 129 RP and whole of Lot Nos. 130, 132 and 133 in DD 229	-	-	-

(Cont'd)

**Notes (Cont'd):**

- (2) According to our recent Land Registry search, the following encumbrances are registered against the Property. (Cont'd)
- e. Order No. CWP/S1/98738/08/NT by the Building Authority under S.24(1) of the Buildings Ordinance with plan vide Memorial No. 08071702320091 dated 31 May 2008 (Re: The Remaining Portion of Lot No. 77 in Demarcation District No. 229)

*We are not aware of any documents that are registered in the Land Registry showing the compliance of the abovementioned building orders. For the purpose of our valuation, we have not allowed for the costs, if any, required to comply with the above building orders.*

- (3) The use description of the subject lots under the Block Government Lease of Demarcation District No. 229 is "Padi".
- (4) According to the Clear Water Bay Peninsula North Outline Zoning Plan No. S/SK-CWBN/3 dated 31 October 2006 ("the OZP"), the Property is zoned as Green Belt ("GB"). There is a general presumption against development within this zone. According to the Notes attached to the OZP, "Agricultural Use", "Barbecue Spot", "Nature Reserve", "On-Farm Domestic Structure" etc. are Column 1 uses on land zoned GB, which are always permitted without the need for any planning application. Planning approval would be required for development such as residential institution.

**Property Valuation for Shaw Brothers (Hong Kong) Limited**


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**3.0 VALUATION CERTIFICATE (CONT'D)**


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Property	Description, age and tenure	Particulars of occupancy	Market value as at 31 December 2008
2. Lot No. 72 RP, whole of Lot Nos. 73, 75, 76, Lot Nos. 77 s.A, 77 s.B and 77 RP, whole of Lot Nos. 78 and 79, Lot Nos. 80 s.A, 80 s.B and 80 RP, whole of Lot Nos. 81 and 82, Lot Nos. 83RP, 84 RP, 96 RP, 97 RP, whole of Lot No. 98, Lot No. 99 RP and whole of Lot Nos. 100, 101, 102, 103, 104, 105, 106, 107, 108, 109, 110, 112, 121, 122, 123, 124, 126 and 127, Lot Nos. 129 s.A, 129 s.B and 129 RP and whole of Lot Nos. 130, 132 and 133 in DD 229	-	-	-

(Cont'd)

**Notes (Cont'd):**

- (5) Upon inspection, we noted that some brick/concrete structures were erected over the Property. In the course of valuation, we have disregarded such structures and have not taken into account any possible costs to reinstate the said structure.
- (6) We have considered the development potential of the Property in the course of the market valuation. Our valuation of the Property is carried out with due regard to the existing Government Lease provisions and the town planning zoning. Prior planning approval and modification of Government Lease conditions (with payment of land premium) will be required to undertake any form of development on the Property.
- (7) We understand that currently the Company has not got plan to develop the Property into other uses.

**Property Valuation for Shaw Brothers (Hong Kong) Limited**
**3.0 VALUATION CERTIFICATE (CONT'D)**

Property	Description, age and tenure	Particulars of occupancy	Market value as at 31 December 2008
3. No. 201 Wan Po Road, Tseung Kwan O, Sai Kung, New Territories  Tseung Kwan O Town Lot No. 85 ("TKOTL 85")	<p>The Property comprises a movie city erected on a site of registered area of approximately 524,121ft<sup>2</sup> (48,692m<sup>2</sup>) at the north-eastern side of Wan Po Road to the north of Tseung Kwan O Industrial Estate at Tseung Kwan O.</p> <p>The Property comprising nine buildings, namely the administration building, the post-production building, the theatre building, the supporting complex and five sound stages. Construction of these buildings were completed in 2005. The height of these buildings varies between approximately 13ft (4.0m) to 124ft (37.8m).</p> <p>According to the copy of building plans provided by the Company, the total gross floor area of the buildings in the movie city is approximately 822,924ft<sup>2</sup> (76,451.5m<sup>2</sup>).</p> <p>The lot is held under New Grant No. 9695 for 50 years commencing on 21 November 2002. The current Government rent payable for the lot is a sum equivalent to 3% of the prevailing rateable value of the Property.</p>	<p>Majority parts of the Property have not been opened and fitting-out works are being undertaken at these parts.</p> <p>Parts of the Property are currently owner-occupied and some facilities are let for film production. As advised by the Company, the total revenue receivable for the movie city for the period from April 2008 to September 2008 was approximately HK\$863,990.</p>	<p>HK\$1,642,000,000 Hong Kong Dollars One Thousand Six Hundred and Forty Two Million</p>

**Notes:**

- (1) The registered owner of the Property is Hong Kong Movie City Company Limited.
- (2) We understand that the Group has 35% interest in Hong Kong Movie City Company Limited. For avoidance of doubt, our valuation relates to the 100% interest in the Property.

**Property Valuation for Shaw Brothers (Hong Kong) Limited**


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**3.0 VALUATION CERTIFICATE (CONT'D)**


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Property	Description, age and tenure	Particulars of occupancy	Market value as at 31 December 2008
3. No. 201 Wan Po Road, Tseung Kwan O, Sai Kung, New Territories	-	-	-

(Cont'd)

**Notes (Cont'd):**

- (3) According to our recent Land Registry search, a Modification Letter with plan dated 6 May 2005 vide Memorial No. 05051400780018 is registered against the Property.
- (4) The use and development of the subject lot is governed by the New Grant No. 9695 and the modification letter. Major conditions in the New Grant as modified are summarized as follows.
- |                          |   |   |
|--------------------------|---|---|
| User                     | : | The lot shall be used for Film Studio purposes only (S.C. 10)   |
| Maximum gross floor area | : | Shall not be less than 53,280 m <sup>2</sup> and shall not exceed 88,800 m <sup>2</sup> (S.C. 16(c))  |
| Height restriction       | : | May not exceed the aggregate height of 80 metres above the Hong Kong Principal Datum (S.C. 16(d))   |
| Parking spaces           | : | Grantee shall submit proposal to the Director for his approval in respect of the spaces to be provided within the lot (S.C. 19)   |
| MTR Reserve              | : | No building shall be erected or constructed within the area shown and marked "MTR Reserve Boundary on Plan I annexed except with prior written approval of the Director (S.C. 22) |
- (5) According to the Tseung Kwan O Outline Zoning Plan No. S/TKO/16 exhibited on 13 June 2008 ("the OZP"), the Property is zoned as Government / Institution / Community ("GIC"). The zone is intended primarily for the provision of Government, institution or community facilities serving the needs of the local residents and/or a wider district, region or community. According to the Notes attached to the OZP, "Broadcasting, Television and/or Film Studio" and "Eating Place (Canteen, Cooked Food Centre only)" are Column 1 uses on land zoned GIC, which are always permitted without the need for any planning application.
- (6) We have valued the Property by the depreciated replacement cost (DRC) approach which is defined by the HKIS Valuation Standards on Properties as the "the current cost of replacement (reproduction) of a Property less deduction for the physical deterioration and all relevant forms of obsolescence and optimisation".

**Property Valuation for Shaw Brothers (Hong Kong) Limited**

## **Appendix No. 1**

# **General Principles of Valuation for Hong Kong**

**GENERAL PRINCIPLES ADOPTED IN THE PREPARATION  
AND CONDITIONS THAT APPLY TO AND FORM PART  
OF  
HONG KONG VALUATIONS AND REPORTS**

This document sets out the general principles upon which our Valuations and Reports are normally prepared, and the conditions that apply to and form part of our Valuations and Reports. They apply unless we have specifically mentioned otherwise in the body of the report. Where appropriate, we will be pleased to discuss variations to suit any particular circumstances, where appropriate, or to arrange for the execution of structural or site surveys, or any other more detailed enquiries. Any variations to these general principles and/or conditions must be confirmed in writing.

Our Valuations and Reports are confidential to, and for the use only of, the party to whom they are addressed and for the stated specific purpose. No responsibility whatsoever is accepted to any third parties who may use or rely on the whole or any part of the contents of any such Valuation or Report. The whole or any part of the Valuation or Report, or reference thereto, must not be published or referred to in any document, statement, circular, or in any communication with third parties, without our prior written approval of the form and context in which it will appear.

**1. Valuation Methodology:**

All work is carried out in accordance with the "HKIS Valuation Standards on Properties" published by The Hong Kong Institute of Surveyors ("HKIS"). If the HKIS Valuation Standards on Properties are silent on subjects requiring guidance, we refer to "The RICS Appraisal and Valuation Standards" published by the Royal Institution of Chartered Surveyors ("RICS") and the "International Valuation Standards" published by the International Valuation Standards Committee ("IVSC"), as appropriate, subject to variation to meet local established law, custom, practice and market conditions with the RICS Appraisal and Valuation Standards prevailing over IVSC's International Valuation Standards to the extent of any inconsistency. Unless otherwise stated, our valuations are undertaken as External Valuers as defined in the HKIS Valuation Standards on Properties.

**2. Valuation Basis:**

Our valuations are made on the basis of Market Value adopted by the HKIS, set out as follows:

*"Market Value is the estimated amount for which a Property should exchange on the date of Valuation between a willing buyer and a willing seller in an arms-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."*

Our valuations are made on the assumption that the owner sells the property on the open market without the benefit of a deferred terms contract, leaseback, joint venture or similar arrangement which would serve to affect the value of the property.

Each valuation is current as at the date of valuation only. The value assessed may change significantly and unexpectedly over a relatively short period (including as a result of general market movements or factors specific to the particular property). We do not accept liability for losses arising from such subsequent changes in value. Without limiting the generality of preceding half of this paragraph, we do not assume any responsibility or accept liability where this valuation is relied upon after the expiration of three months from the date of valuation.

**3. Costs:**

No allowances are made in our valuations for dealing with any encumbrances such as charges, mortgages, nor for amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale or disposal.

**4. Source of Information:**

We accept as being complete and correct the information provided to us, by the sources listed, as to details of tenure, tenancies, tenant's improvements, planning consents and other relevant matters, as summarized in our report.

**5. Assumptions**

Unless we state otherwise in the valuation, our valuation assumes (without investigation on our part), where applicable,

- (a) good and marketable title, and no encumbrance on the property's title which could materially affect its value,
- (b) no encroachment by or on the property and no unauthorized additions or structural alterations (our valuation is made according to the original layout as shown in the Registered Floor Plans or developer's brochure and assumes no outstanding reinstatement costs to be charged on the property),
- (c) no major environmental factor (including contamination) affects the property,
- (d) no deficiencies in the structural integrity of the property and other improvements,
- (e) the property is not affected or required for any public purposes or is to be acquired for a public purpose,
- (f) there are no outstanding statutory orders on the property or the likely possibility of future orders being made by a regulatory authority,
- (g) body corporate records and finances are in a satisfactory order and there are no major financial commitments, orders or levies in respect of any major rectifications, remedial or other works to be undertaken by the body corporate above normal maintenance,
- (h) no material litigation pending relating to the property,
- (i) that the property (and any works thereto) comply with all relevant statutory regulations, including enactments relating to fire regulations,
- (j) no deleterious materials (including by way of example asbestos and calcium chloride)
- (k) ground conditions and services are suitable (including, particularly with respect to agricultural land, no possibility of latent infestation in the soil or of disease which might affect crops or stock at any time in the future) and no extraordinary expenses or delays will be incurred due to archaeological, ecological or environmental matters.

Without affecting the generality of the above, where leases or documents of title or site and building surveys or building report or pest certificate or engineer's certificate or body corporate records are provided to us for the purpose of the valuation, reliance must not be placed on our interpretation thereof of any of these documents.

**6. Tenants:**

Enquiries as to the financial standing of actual or prospective tenants are not made unless we specifically agree to in writing. Where properties are valued with the benefit of lettings, it is therefore assumed, unless we are informed otherwise in writing, that the tenants are capable of meeting their financial obligations under the lease and that there are no arrears of rent or undisclosed breaches of covenant.

**7. Measurements:**

All measurements are carried out in accordance with the "Code of Measuring Practice" booklet published by the HKIS. Unless otherwise stated, we do not physically measure the actual properties or verify the floor areas provided to us, unless we specifically agree in writing to do so, although we make reference to the Registered Floor Plans if available.

**8. Jurisdiction:**

Unless the parties otherwise agree in writing, all disputes arising out and relating to our valuation shall be finally settled under Hong Kong Law and the parties irrevocably submit to the jurisdiction of the Hong Kong Courts.

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