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If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Prime Investments Holdings Limited (the “Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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PRIME INVESTMENTS HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 721)

- (I) PROPOSED CHANGE OF DOMICILE,
(II) REORGANISATION OF SHARE CAPITAL INVOLVING THE CAPITAL REDUCTION, THE
CAPITAL SUBDIVISION AND THE CANCELLATION OF SHARE PREMIUM ACCOUNT,
(III) PROPOSED SUBSCRIPTION OF NEW SHARES BY THE SUBSCRIBER,
(IV) ADOPTION OF THE NEW MEMORANDUM OF CONTINUANCE AND BYE-LAWS, AND
(V) APPLICATION FOR THE WHITWASH WAIVER**

Joint Financial Advisers to Prime Investments Holdings Limited



HANTEC CAPITAL LIMITED



INCU CORPORATE FINANCE LIMITED

**Joint Independent Financial Advisers to the
Independent Board Committee and the Independent Shareholders**



Menlo Capital Limited

VEDA | CAPITAL
智略資本

A notice convening an extraordinary general meeting of Prime Investments Holdings Limited to be held at Taurus Room, 33/F., Rosedale on the Park, 8 Shelter Street, Causeway Bay, Hong Kong, on 3 April 2006 at 3:00 p.m. is set out on pages 108 to 111 of this circular. A form of proxy for use at the extraordinary general meeting is also enclosed. Such form of proxy is also published on the website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk).

Whether or not you are able to attend the extraordinary general meeting, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queens' Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the extraordinary general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the meeting if they so wish.

10 March 2006

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“Announcement”	the announcement dated 17 February 2006 jointly announced by the Company and the Subscriber relating to, among other things, the proposed Change of Domicile, the Capital Reorganisation, the Subscription, adoption of the new memorandum of continuance and bye-laws and the Whitewash Waiver
“associate”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Cancellation of Share Premium Account”	the proposed cancellation of the entire amount of the share premium account of the Company
“Capital Reduction”	the proposed reduction of capital of the Company by way of the cancellation of the paid-up share capital to the extent of HK\$0.09 on each of the Shares with the Cancellation of Share Premium Account, such that the nominal value of all of the issued Shares shall reduce from HK\$0.10 each to HK\$0.01 each
“Capital Reorganisation”	the capital reorganisation of the Company involving the Capital Reduction, the Capital Subdivision and the Cancellation of Share Premium Account
“Capital Subdivision”	the proposed subdivision of each of the authorised but unissued Shares of HK\$0.10 each into 10 New Shares
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Change of Domicile”	change the domicile of the Company from the Cayman Islands to Bermuda by way of de-registration in the Cayman Islands and continuation as an exempted company under the laws of Bermuda
“Company”	Prime Investments Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Stock Exchange
“Completion”	completion of the Subscription
“connected person”	has the same meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company

DEFINITIONS

“EGM”	the extraordinary general meeting of the Company to be convened on 3 April 2006 for the purpose of passing the resolutions in respect of, among other things, the Change of Domicile, the Capital Reorganisation, the Subscription Agreement and the Whitewash Waiver
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Group”	the Company and all its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board established to advise the Independent Shareholders in respect of the Whitewash Waiver
“Independent Third Party(ies)”	person(s) who or company(ies) together with its/their ultimate beneficial owner(s) which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, is/are third party(ies) independent of the Company and its connected persons
“Independent Shareholders”	Shareholders other than the Subscriber and its concert parties or associates or others who are interested or involved in the proposed Subscription
“Joint Independent Financial Advisers”	Menlo Capital Limited and Veda Capital Limited, the joint independent financial advisers to the Independent Board Committee and the Independent Shareholders in respect of the Whitewash Waiver
“Last Trading Day”	8 February 2005, being the last trading day prior to the suspension of trading of the Shares as from 9:30 a.m. on 14 February 2005
“Latest Practicable Date”	7 March 2006, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Gordon Chan”	Mr. Chan Yan Ting, Gordon, the sole shareholder of the Subscriber

DEFINITIONS

“Mr. Lau”	Mr. Lau Sze Shing, Edward, a former Director who resigned on 22 February 2005, who is one of the beneficial shareholders of Oceanwide
“NASDAQ OTC board”	the over-the-counter board in NASDAQ Stock Market in United States of America
“New Shares”	shares of HK\$0.01 each in the share capital of the Company upon the Capital Reorganisation taking effect
“Oceanwide”	Oceanwide Investments Limited, a substantial Shareholder, which owned as to approximately 28.75% by Mr. Lau, approximately 12.08% by Ms. Chan Sui Kuen, the spouse of Mr. Lau, approximately 20.83% by Mr. Paul Lan, approximately 21.67% by Ms. Cheung Sze Wing and approximately 16.67% by CITIC Group which is wholly and beneficially owned by the State Assets Committee. To the best knowledge of the Directors, save as disclosed above, each of Mr. Lau, Ms. Chan Sui Kuen, Mr. Paul Lan, Ms. Cheung Sze Wing and CITIC Group is an Independent Third Party. Oceanwide indirectly holds 8,500,000 Shares through its wholly-owned subsidiary, Advance Elite Holdings Limited
“PRC”	People’s Republic of China, and for the purpose of this circular, shall exclude Hong Kong, the Macau Special Administrative Region and Taiwan
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance of Hong Kong (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the issued share capital of the Company prior to the Capital Reorganisation becoming effective
“Shareholder(s)”	the holder(s) of the Share(s) or New Share(s) (as the case may be)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Poly Good Group Limited, an investment holding company incorporated in the British Virgin Islands with limited liability which is wholly-owned by Mr. Gordon Chan
“Subscription”	the subscription of the Subscription Shares by the Subscriber upon and subject to the terms and conditions of the Subscription Agreement

DEFINITIONS

“Subscription Agreement”	the subscription agreement dated 2 November 2005 entered into between the Company and the Subscriber in relation to the Subscription
“Subscription Price”	approximately HK\$0.0897, being the subscription price of each Subscription Share
“Subscription Shares”	89,142,857 New Shares to be issued by the Company to the Subscriber pursuant to the Subscription Agreement
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Whitewash Waiver”	the waiver from the Executive pursuant to Note 1 of the Notes on dispensations from Rule 26 of the Takeovers Code
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States dollars, the lawful currency of the United States
“%”	per cent.

In this circular, for purpose of illustration only, amounts quoted in US\$ have been converted into HK\$ at the rate of US\$1.00 to HK\$7.80 and amounts quoted in RMB have been converted into HK\$ at the rate of RMB1.04 to HK\$1. Such exchange rates have been used, where applicable, for purposes of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

EXPECTED TIMETABLE

Set out below is the expected timetable for the Change of Domicile, the Capital Reorganisation and the Subscription Agreement. **This timetable is indicative only and may be varied due to additional time required for compliance with regulatory requirements in the Cayman Islands or Bermuda. Shareholders will be informed of any changes to the expected timetable by public announcement.**

2006

Latest time for lodging proxy forms for the EGM	3:00 p.m. on Saturday, 1 April
EGM	3:00 p.m. on Monday, 3 April
Publication of announcement of results of EGM	Tuesday, 4 April
Expected date on which the Change of Domicile and the Capital Reorganisation becomes effective	Tuesday, 9 May*
Expected date of publication of announcement for the effective date of the Change of Domicile and the Capital Reorganisation	Thursday, 11 May
First day of free exchange of existing yellow certificates for the Shares for new green certificates for the New Shares	9:30 a.m. on Thursday, 11 May
Dealings of the New Shares begin	9:30 a.m. on Thursday, 11 May
Expected date of satisfaction of all conditions under the Subscription Agreement	Friday, 12 May
Issuance of the Subscription Shares pursuant to the Subscription Agreement	Thursday, 18 May
Last day of free exchange of existing yellow certificates for the Shares for new green certificates for the New Shares	Friday, 16 June

Note: All date and time above refer to Hong Kong time.

* *The expected effective dates of the Change of Domicile and the Capital Reorganisation are subject to the relevant conditions precedent (including Shareholders' approval) being fulfilled.*

LETTER FROM THE BOARD



PRIME INVESTMENTS HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 721)

Directors:

Ms. Wang Wen Xia
Mr. Pong Po Lam, Paul

Non-executive Directors:

Mr. Lan Ning
Dr. Chan Po Fun, Peter
Mr. Ding Xiaobin

Independent non-executive Directors:

Dr. Cheung Wai Bun, Charles
Mr. Zhang Yong
Mr. Gu Qiu Rong

Registered Office:

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681GT
George Town
Grand Cayman
British West Indies

Principal place of business in Hong Kong:

Suite 504, 5/F
Chinachem Tower
34-37 Connaught Road Central
Hong Kong

10 March 2006

To the Shareholders

Dear Sir or Madam,

- (I) PROPOSED CHANGE OF DOMICILE,
(II) REORGANISATION OF SHARE CAPITAL INVOLVING THE CAPITAL REDUCTION, THE
CAPITAL SUBDIVISION AND THE CANCELLATION OF SHARE PREMIUM ACCOUNT,
(III) PROPOSED SUBSCRIPTION OF NEW SHARES BY THE SUBSCRIBER,
(IV) ADOPTION OF THE NEW MEMORANDUM OF CONTINUANCE AND BYE-LAWS, AND
(V) APPLICATION FOR THE WHITWASH WAIVER**

INTRODUCTION

As disclosed in the Announcement, the Company proposes to:

- (a) change the domicile of the Company from the Cayman Islands to Bermuda by way of de-registration in the Cayman Islands and continuation as an exempted company under the laws of Bermuda;

LETTER FROM THE BOARD

- (b) reduce the nominal value of each issued Share from HK\$0.10 to HK\$0.01 by cancelling HK\$0.09 paid-up on each Share and subdivide each of the authorised but unissued Shares into 10 New Shares of HK\$0.01 each; and
- (c) cancellation of the entire amount of the share premium account of the Company.

The proposed Change of Domicile and Capital Reorganisation will not affect the continuity and the listing status of the Company.

On 2 November 2005, the Company and the Subscriber entered into the Subscription Agreement pursuant to which the Company agreed to allot and issue and the Subscriber agreed to subscribe in cash of HK\$8,000,000 for a total of 89,142,857 Subscription Shares which represents the Subscription Price of approximately HK\$0.0897 per Subscription Share.

Upon Completion, the Subscriber and parties acting in concert with it will hold approximately 65.0% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. In the absence of the Whitewash Waiver, the Subscriber and parties acting in concert with it will be required under Rule 26 of the Takeovers Code to make a general offer for all the issued Shares not already owned or agreed to be acquired by the Subscriber and parties acting in concert with it. The grant of the Whitewash Waiver, if successfully applied for, will be subject to passing of a resolution by the Independent Shareholders other than Oceanwide and its respective concert parties or associates, including Advance Elite Holdings Limited, by way of a poll at the EGM and is a condition precedent to Completion.

The Independent Board Committee comprising Dr. Chan Po Fun, Peter, being the non-executive Director and Dr. Cheung Wai Bun, Charles, Mr. Zhang Yong and Mr. Gu Qiu Rong, being the independent non-executive Directors, has been established to consider and make recommendation to the Independent Shareholders regarding the Whitewash Waiver after taking into account the advice from the Joint Independent Financial Advisers. Menlo Capital Limited and Veda Capital Limited have been appointed by the Company as the Joint Independent Financial Advisers to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness in respect of the Whitewash Waiver. The appointment of the Joint Independent Financial Advisers has been approved by the Independent Board Committee.

The purpose of this circular is to provide you with (i) further information regarding, among other things, (a) the Change of Domicile, (b) the Capital Reorganisation involving the Capital Reduction, the Capital Subdivision and the Cancellation of Share Premium Account, (c) the Subscription Agreement, (d) adoption of the new memorandum of continuance and bye-laws, and (e) the Whitewash Waiver, (ii) a letter of advice on the Whitewash Waiver from the Joint Independent Financial Advisers to the Independent Board Committee and the Independent Shareholders, (iii) the recommendation from the Independent Board Committee to the Independent Shareholders, and (iv) the notice of the EGM.

LETTER FROM THE BOARD

CHANGE OF DOMICILE AND CAPITAL REORGANISATION

The Directors propose to change the domicile of the Company from the Cayman Islands to Bermuda by way of de-registration in the Cayman Islands and continuation as an exempted company under the laws of Bermuda, to amend the memorandum and articles of association of the Company to facilitate the Change of Domicile, and to adopt a new memorandum of continuance and bye-laws in compliance with Bermuda company laws to replace the existing memorandum and articles of association of the Company. The Directors also propose, upon the Change of Domicile becoming effective, to reorganise the capital of the Company in the following manner:

- (a) the nominal value of each of the issued Shares of HK\$0.10 each will be reduced from HK\$0.10 each by cancelling the paid-up capital to the extent of HK\$0.09 on each issued Share to New Share of HK\$0.01 each so that the issued share capital of HK\$4,800,000 will be reduced by HK\$4,320,000 to HK\$480,000;
- (b) each of the authorised but unissued Shares will be sub-divided into 10 New Shares of HK\$0.01 each; and
- (c) the credit of about HK\$4,320,000 arising from the Capital Reduction and the Cancellation of Share Premium Account will be transferred to the contributed surplus account of the Company.

As at the Latest Practicable Date, the Company has an authorised share capital of HK\$20,000,000 divided into 200,000,000 Shares, of which 48,000,000 Shares have been issued and are fully paid or credited as fully paid. Upon completion of the Capital Reorganisation, the Company will have an authorised share capital of HK\$20,000,000 divided into 2,000,000,000 New Shares, of which 48,000,000 New Shares are issued and fully paid or credited as fully paid. A summary of the differences of certain provisions of Cayman Islands and Bermuda company laws and a summary of the proposed memorandum and bye-laws and differences with the memorandum and articles are set out in Appendix II and III respectively to this circular.

Reasons for the Change of Domicile and the Capital Reorganisation and impact on the Company and the Shareholders

The Capital Reorganisation is proposed in order to allow the Company issuing New Shares below its existing nominal value per Share of HK\$0.10 as required in the Subscription Agreement, and to increase the flexibility for the Company in possible future fund raising. The Capital Reorganisation will also enable the Company to apply part of the amount standing to the credit of its contributed surplus account arising from the Capital Reduction and the Cancellation of Share Premium Account amounting to HK\$4,320,000 as at the Latest Practicable Date to eliminate the accumulated losses of the Company. The Directors currently intend that the credit arising from the Capital Reduction and the Cancellation of Share Premium Account will be credited to the contributed surplus account of the Company to eliminate the accumulated losses of the Company. As advised by Conyers Dill & Pearman, the legal advisers to the Company on Bermuda law and Cayman Islands law, such elimination of accumulated losses is permissible under Bermuda law. The Capital Reorganisation will also facilitate the payment of dividends as and when the Directors consider it appropriate in the future. As advised by Conyers Dill & Pearman, under Bermuda

LETTER FROM THE BOARD

law, credit in the contributed surplus account of the Company may be used for distribution to shareholders provided that the Company has no reasonable grounds to believe that (i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts. Other than the expenses to be incurred in relation to the Change of Domicile and the Capital Reorganisation, the implementation thereof will not alter the underlying assets, business operations, management or financial position of the Company or the interests or rights of the Shareholders. It is estimated that the amount of expenses to be incurred in relation to the Change of Domicile and the Capital Reorganisation would be approximately HK\$150,000.

As advised by Conyers Dill & Pearman, if the Company proceeds with the Capital Reorganisation in the Cayman Islands, the sanction by the Grand Court of the Cayman Islands would be required for the Capital Reduction. Subject to availability of the Grand Court of the Cayman Islands, it may take between four to six months to complete the Capital Reduction. The Board does not believe that such sanction can be obtained in a commercially expedient time frame. To shorten the time required to effect the Capital Reorganisation, it is also proposed to effect the Change of Domicile through de-registration out of the Cayman Islands and continuation in Bermuda. The Company has been advised by Conyers Dill & Pearman that the Capital Reorganisation in Bermuda may be effected without the sanction of the Grand Court of the Cayman Islands or approval of the Supreme Court of Bermuda by way of the Change of Domicile from the Cayman Islands to Bermuda. Conyers Dill & Pearman also advised that no court order is required in the Cayman Islands or Bermuda for the Change of Domicile.

The Change of Domicile will not alter the underlying assets, business operations, management or financial position of the Group nor the proportionate equity interests of the Shareholders. The continuation of the Company in Bermuda does not create a new legal entity or prejudice or affect the continuity of the Company. The head office of the Group will continue to be in Hong Kong. Also, as advised by Conyers Dill & Pearman and Michael Li & Co., the legal advisers to the Company on Hong Kong law, the Change of Domicile will not involve the formation of a new holding company, the withdrawal of listing of existing securities, any issue of new securities, any transfer of assets of the Company or any change in the existing shareholding structure of the Company.

As court sanction is not required for the Change of Domicile in the Cayman Islands or Bermuda, or for the Capital Reduction in Bermuda, the Board estimates the Capital Reorganisation and the Change of Domicile should be completed between 8 and 12 weeks, estimated to be about two to three months earlier than it would otherwise be. Implementation of the Change of Domicile will not affect the listing status of the Shares on the Stock Exchange.

As advised by Conyers Dill and Pearman, Shareholders will be required to approve the special resolution to amend the memorandum and articles of association of the Company to facilitate the Change of Domicile, to approve the Change of Domicile and to adopt the proposed memorandum of continuance and bye-laws upon the Change of Domicile becoming effective. A special resolution to approve the Capital Reduction, the Capital Subdivision and to cancel the entire amount standing to the credit of the share premium account effective upon the Change of Domicile becoming effective will also be proposed to the Shareholders at the EGM to reduce the amount of annual government fee payable to the Bermuda government upon the Change of Domicile becoming effective. The credit arising from the Capital Reduction and the Cancellation of Share Premium Account effective upon the Change of Domicile becoming effective will be credited to the contributed surplus account of the Company to eliminate the accumulated losses of

LETTER FROM THE BOARD

the Company. After the passing of the special resolution at the EGM, the Company will make an application to the Bermuda Monetary Authority seeking its permission for the continuation of the Company as an exempted company registered in Bermuda. Upon obtaining such permission, applications will be made to the Cayman Registrar to have the Company de-registered from the Cayman Islands and to the Bermuda Registrar for registration of the Company in Bermuda. The Cayman Registrar is obliged to de-register the Company if the requirements of the Companies Law have been complied with which include that the Cayman Registrar is not aware of any reason why it would be against the public interest to de-register the Company. The Company will file the memorandum of continuance in Bermuda with the Bermuda Registrar. The memorandum of continuance will be deemed to be the new memorandum of association of the Company. Upon registration by the Bermuda Registrar of the memorandum of continuance to be adopted by the Company, the Bermuda Registrar will issue a certificate of continuance and the Company will become a company to which the Companies Act and any other laws in Bermuda apply as if the Company had been incorporated in Bermuda on the date of the registration of the memorandum of continuance. The certificate of continuance will be deemed to be the certificate of incorporation of the Company. Upon approval by the Cayman Registrar of the application for de-registration, the Cayman Registrar will issue a certificate of de-registration. The Company must then file a copy of the certificate of continuance issued by the Bermuda Registrar to the Cayman Registrar.

Conditions of the Change of Domicile

The Change of Domicile is conditional upon:

- (a) the passing of the necessary special resolution(s) by the Shareholders at an extraordinary general meeting of the Company to approve an amendment to the memorandum of association of the Company to facilitate the Change of Domicile, to approve the Change of Domicile, the adoption of the new memorandum of continuance and bye-laws of the Company; and
- (b) compliance with the relevant procedures and requirements under the Cayman Islands law, Bermuda law and the Listing Rules.

Conditions of the Capital Reorganisation

The Capital Reorganisation is conditional on:

- (a) the passing of the necessary special resolution(s) by the Shareholders at an extraordinary general meeting of the Company to approve the Capital Reorganisation involving the Capital Reduction, the Capital Subdivision and the Cancellation of Share Premium Account;
- (b) the Change of Domicile becoming effective;
- (c) compliance with the relevant procedures and requirements under Bermuda law and the Listing Rules to effect the Capital Reorganisation; and
- (d) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the New Shares arising from the Capital Reorganisation.

The Change of Domicile is not conditional upon completion of the Capital Reorganisation. The Capital Reorganisation is conditional upon the Change of Domicile becoming effective.

LETTER FROM THE BOARD

Ranking of the New Shares

The New Shares will rank pari passu in all respects with each other and the Capital Reorganisation will not result in any change in the rights of the Shareholders.

LISTING AND DEALINGS

Application will be made to the Stock Exchange for the granting of the listing of, and permission to deal in, the New Shares arising from the Capital Reorganisation.

Subject to the granting of the listing of, and permission to deal in, the New Shares on the Stock Exchange, the New Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealing in the New Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

TRADING ARRANGEMENTS AND FREE EXCHANGE OF NEW SHARE CERTIFICATES

Shareholders should note that the expected timetable shown on page 5 of this circular with regard to the Change of Domicile and the Capital Reorganisation is prepared on the assumption that the Capital Reorganisation will become effective on 9 May 2006. The Company will make an announcement in the event that there is a change in the expected timetable with regard to the exchange trading arrangements.

The New Shares will be traded in the existing board lot size of 10,000 shares. The Capital Reorganisation is currently expected to become effective on 9 May 2006. Dealings in the New Shares are expected to commence on 11 May 2006.

All existing yellow share certificates for the Shares will, after the Capital Reorganisation has become effective, continue to be good evidence of legal title to the New Shares on the basis of one Share for one New Share and be valid for trading and settlement.

Subject to the Capital Reorganisation becoming effective on 9 May 2006, Shareholders may, during 11 May 2006 to 16 June 2006 (both dates inclusive), submit share certificates for the Shares to the Company's branch share registrar, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queens' Road East, Wanchai, Hong Kong, for exchange, at the expense of the Company, for new share certificates for the New Shares. Thereafter, certificates for the Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may from time to time be allowed by the Stock Exchange) for each share certificate for the Shares cancelled or each new share certificate issued for the New Shares, whichever number of certificates cancelled/issued is higher. Nevertheless, certificates for the Shares will continue to be good evidence of legal title and may be exchanged for certificates for the New Shares at any time.

LETTER FROM THE BOARD

It is expected that new certificates for the New Shares will be available for collection within a period of 10 business days after the submission of certificates for the Shares to the Company's branch share registrar for exchange. Unless otherwise instructed, new share certificates will be issued in existing board lots of 10,000 New Shares each. New share certificates for New Shares will be green in colour to distinguish them from the share certificates for the Shares which are yellow in colour.

THE SUBSCRIPTION AGREEMENT

The Subscription

Issuer: The Company

Subscriber: Poly Good Group Limited, the Subscriber. The Subscriber is wholly-owned by Mr. Chan Yan Ting, Gordon. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Subscriber and its ultimate beneficial owner are third parties independent of the Company and connected persons of the Company, and they are not parties acting in concert (as defined in the Takeovers Code) with any connected persons of the Company.

Warrantor: Oceanwide

On 2 November 2005, the Company and the Subscriber entered into the Subscription Agreement pursuant to which the Company agreed to allot and issue and the Subscriber agreed to subscribe in cash of HK\$8,000,000 for a total of 89,142,857 Subscription Shares which represents the Subscription Price of approximately HK\$0.0897 per Subscription Share.

The 89,142,857 Subscription Shares represents approximately 185.7% of the existing issued share capital of the Company and approximately 65.0% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

Pursuant to the Subscription Agreement, Oceanwide, the warrantor to the Subscription Agreement, represents, warrants and undertakes to the Subscriber that:

- (a) at Completion:
 - (i) the consolidated net tangible asset value of the Group (on the same valuation basis as adopted in preparation of the Accounts) after making all appropriate deductions, accruals and/or provisions for all fees, expenses and costs payable by the Group for the transactions under this Agreement (including the fees and expenses payable to the financial advisers of the Company and other professional advisers) shall not be negative; and
 - (ii) the total liabilities of the Group (including contingent liabilities) shall not be more than HK\$8,500,000; and

LETTER FROM THE BOARD

- (b) all guarantees (if any) given by any member of the Group for Oceanwide or his associates shall be released and discharged as soon as practicable after third business day following the date on which the conditions set out in the paragraph headed “Conditions of the Subscription Agreement” are fulfilled or waived (the “Completion Date”) and Oceanwide alone shall indemnify and keep such member of the Group indemnified on demand from and against all amounts which such creditors may at any time claim against such member of the Group under such guarantees as well as all actions, suits, proceedings, costs and expenses which may be taken or made against or incurred by such member of the Group in respect of such guarantees.

The Directors advised that no guarantee has been provided by the Company to Oceanwide as at the Latest Practicable Date. The Company and Oceanwide will not be liable under any of the warranties unless notice of a claim under the warranties specifying in reasonable detail and to the extent possible the event or default to which the claim relates and the nature of the breach and amount claimed has been received by the Company and Oceanwide not later than the expiry of the period of 24 months following the Completion Date. The Company and Oceanwide would jointly and severally liable under the warranties provided in the Subscription Agreement and there are no limitation clauses limiting the maximum liabilities of the Company and Oceanwide under the Subscription Agreement.

As Oceanwide is a substantial Shareholder, the provision of warranties is a connected transaction but exempted under Rule 14A.65(4) of the Listing Rules. As the Group does not need to provide any consideration for such warranties provided by Oceanwide and the Subscription will improve the Group’s financial position, the Directors are of the view that the warranties are in the interests of the Company and the Shareholders as a whole and the warranties are fair and reasonable so far as the Independent Shareholders are concerned.

The Subscription Price

The Subscription Price of approximately HK\$0.0897 per Subscription Share was determined after arm’s length negotiations between the Company and the Subscriber, after considering the existing liabilities and indebtedness of the Group, the Group’s net asset value and the fact that no turnover has been recorded by the Group in the year ended 30 June 2004. The Board is of the view that the terms of the Subscription are fair and reasonable and in the interests of the Shareholders as a whole.

The Subscription Price represents a discount of approximately 72.4% to the closing price of HK\$0.325 per Share as quoted on the Stock Exchange on the Last Trading Day and a discount of approximately 69.5% to the average closing price of HK\$0.2945 per Share as quoted on the Stock Exchange over the last ten trading days up to and including the Last Trading Day and a premium of approximately 52.4% to the Group’s unaudited net asset value of HK\$0.047 per Share as at 31 December 2005.

An application will be made to the Stock Exchange for the listing of, and permission to deal in the Subscription Shares.

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Ranking of the Subscription Shares

The Subscription Shares, when allotted and issued, will rank *pari passu* in all respects among themselves and with the New Shares in issue as at the date of the allotment and issue of the Subscription Shares, including the right to receive all future dividends and distributions which may be declared, made or paid by the Company on or after the date of allotment and issue of the Subscription Shares.

Conditions of the Subscription Agreement

Completion of the Subscription Agreement is conditional upon the following conditions having been fulfilled:

- (a) the passing of the necessary special and ordinary resolutions by the Shareholders to approve the Change of Domicile and the Capital Reorganisation;
- (b) compliance with the relevant legal procedures and requirements under the Cayman Islands law, Bermuda law and the Listing Rules to effect the Change of Domicile and the Capital Reorganisation;
- (c) the Listing Committee of the Stock Exchange granting approval of the listing of, and permission to deal in, the New Shares in issue arising from the Capital Reorganisation;
- (d) the Change of Domicile and the Capital Reorganisation becoming effective;
- (e) the completion of the restructuring of the liabilities of the Group in such manner as the Company and the Subscriber may agree;
- (f) clearance of the Announcement by the Stock Exchange and the SFC;
- (g) the passing by the Shareholders (excluding any person(s), if any, who are required to abstain from voting under the Listing Rules and the Takeovers Code) of resolutions in the EGM in compliance with the requirements of the Listing Rules and the Takeovers Code approving:
 - (i) (if necessary) the increase in the authorised share capital of the Company to such figure as will allow the Company to allot and issue the Subscription Shares;
 - (ii) the Subscription Agreement and the issue and allotment of the Subscription Shares in accordance with the terms of the Subscription Agreement; and
 - (iii) the grant of a waiver in respect of the obligation of the Subscriber and the parties acting in concert with it (if any) to make a mandatory general offer to the Shareholders in respect of the New Shares not already owned or agreed to be acquired by the Subscriber or any parties acting in concert with it (if any) as a result of the subscription of the Subscription Shares in accordance with Note 1 of the Notes on dispensations from Rule 26 of the Takeovers Code;

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- (h) the Listing Committee agreeing to grant the listing of, and permission to deal in, the Subscription Shares;
- (i) the Executive granting to the Subscriber and parties acting in concert with it (if any) a waiver of the obligation to make a mandatory general offer to the Shareholders in respect of the New Shares not already owned or agreed to be acquired by the Subscriber or any parties acting in concert with it (if any) as a result of the subscription of the Subscription Shares in accordance with the Note 1 of the Notes on dispensations from Rule 26 of the Takeovers Code;
- (j) consent in principle of the Stock Exchange to the resumption of trading of New Shares in issue on the Stock Exchange having been obtained, which are subject to the Company being able to demonstrate to the Stock Exchange that, among other things, the Group is suitable for listing, has a sufficient level of operation and is able to comply with other relevant requirements as stipulated under the Listing Rules;
- (k) no indication being received on or before the date of Completion from the Stock Exchange or the SFC to the effect that the listing of the New Shares may be withdrawn or objected to (or conditions will or may be attached thereto) including but not limited to as a result of Completion or in connection with the Subscription Agreement; and
- (l) the Subscriber notifying the Company or the Company's solicitors in writing that upon completion of the due diligence review, it is satisfied that the actual and contingent liabilities of the Group as at the date of Completion do not exceed HK\$8,500,000.

The Subscriber may at its absolute discretion waive the conditions set out in paragraph (l) above at any time by notice in writing to the Company. The other conditions set out above are incapable of being waived. As at the Latest Practicable Date, only condition (f) has been fulfilled.

In relation to condition (e) above, the Company is discussing with the Subscriber in respect of the restructuring of the liabilities of the Group, and no conclusion has been reached as at the Latest Practicable Date. The Directors currently do not consider that it will be necessary to increase the authorised share capital of the Company to facilitate the proposed share subscription by the Subscriber. As at 31 December 2005, the Group had liabilities of approximately HK\$7.64 million, a breakdown of which is set out in the paragraph headed "Reasons for the Subscription" below. The Directors are not aware of any contingent liabilities of the Group as at 31 December 2005 and the Latest Practicable Date.

In relation to condition (h) above, the Subscriber is aware that the Stock Exchange has indicated that they would normally not grant any listing approval to the Company whose Shares have been suspended from trading for a prolonged period of time until the concerns leading to the prolonged suspension have been cleared and suitability under Rule 13.24 of the Listing Rules should be demonstrated to the satisfaction of the Stock Exchange before resumption of the trading of the Shares.

In relation to condition (j) above, the Directors and the Subscriber note that the consent in principle by the Stock Exchange for the resumption of trading of New Shares is dependent on, among other things, the ability of the Company to warrant the continued listing of the Shares on the Stock Exchange. As at

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the Latest Practicable Date, the Company has yet to demonstrate to the satisfaction of the Stock Exchange that the Group is suitable for continued listing and has a sufficient level of operation and/or assets.

In the event that all the conditions are not fulfilled or waived (as the case may be) by 5:00 p.m. (Hong Kong time) on the day falling 210 days from the date of the Subscription Agreement entered into (or such later date as may be agreed by the parties to the Subscription Agreement), the Company or the Subscriber may by notice to the other party elect to immediately terminate and rescind the Subscription Agreement. In the event of termination of the Subscription Agreement, the Deposit (as defined below) shall be returned without interest to the Subscriber in full within two business days after receipt of a notice for such refund from the Subscriber.

Completion

Completion of the Subscription Agreement shall take place on the third business day following the date on which the above conditions are fulfilled or waived, as the case may be. The aggregate Subscription Price shall be payable by the Subscriber in the manner as (i) HK\$800,000 (the "Deposit") of the aggregate Subscription Price shall be paid as deposit by the Subscriber by way of cashier order issued by a licensed bank in Hong Kong to the Company's solicitors immediately upon signing of the Subscription Agreement and the Deposit shall be held by the Company's solicitors in escrow pending Completion; and (ii) the balance of the aggregate Subscription Price amounting to HK\$7,200,000 shall be payable at Completion by the Subscriber to the Company by way of cashier order issued by a licensed bank in Hong Kong. In the event that the Completion does not take place by 30 May 2006, being 210 days from the date of the Subscription Agreement entered into, or such later date as may be agreed by the parties to the Subscription Agreement, the Company shall return the Deposit without interest to the Subscriber and a relevant announcement will be made by the Company.

As at the Latest Practicable Date, the Subscriber has no intention, and there is no agreement, arrangement or understanding, to transfer, charge or pledge the Subscription Shares to any other parties.

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Reasons for the Subscription

As stated in the Company's annual report for the year ended 30 June 2005, the Group had not made any investments during the period under review due to lack of new capital for investments. The Group held three major investments as at 30 June 2005. The Directors confirmed that, up to the Latest Practicable Date, there is no change to the Company's investment portfolio since 30 June 2005. Meanwhile, the Group had unaudited liabilities of approximately HK\$7.64 million as at 31 December 2005 and audited liabilities of approximately HK\$8.10 million as at 30 June 2005 as follows:

Liabilities	As at 31 December 2005 (HK\$)	As at 30 June 2005 (HK\$)
Amount due to Mr. Lan Ning (Note 1)	300,000	–
Amount due to Ms. Wang Wen Xia ("Ms. Wang") (Note 2)	2,363,502	1,645,038
Amount due to Ms. Chiu Kam Hing, Kathy (Note 3)	1,557,574	1,557,574
Amount due to Oceanwide (Note 4)	–	2,734,400
Amount due to Mr. Lau (Note 5)	828,404	828,404
Amount due to Mr. Gordon Chan (Note 6)	400,000	–
Amount due to the Subscriber (Note 7)	800,000	–
Amount due to Mr. Ding Xiaobin (Note 8)	50,000	–
Accrued expenses and other payables (Note 9)	1,340,465	1,329,830
Total	<u>7,639,945</u>	<u>8,095,246</u>

Notes:

- Amount due to Mr. Lan Ning, a non-executive Director effective from the 17 February 2006, includes loans advanced by Mr. Lan to the Group on 31 July 2005 of HK\$120,000, 9 September 2005 of HK\$30,000, 1 November 2005 of HK\$50,000, 10 November 2005 of HK\$50,000 and 1 December 2005 of HK\$50,000, respectively, which are interest free and have no repayment schedule.
- Amount due to Ms. Wang, an executive Director, includes (i) loans amounting to HK\$1,000,000 advanced by Ms. Wang to the Group from January to March 2005, which bears 2.4% interest per annum and has no repayment schedule, together with accrued interests of approximately HK\$20,120 as at 31 December 2005 and HK\$8,022 as at 30 June 2005; (ii) other loans advanced by Ms. Wang to the Group totaling HK\$245,000 as at 31 December 2005 and HK\$120,000 as at 30 June 2005, which are interest free and have no repayment schedule; (iii) salaries payable to Ms. Wang since February 2005 at HK\$100,000 per month amounting to a total of HK\$1,091,000 as at 31 December 2005 and HK\$500,000 as at 30 June 2005; and (iv) reimbursable expenses to Ms. Wang amounting to HK\$7,382 as at 31 December 2005 and HK\$17,016 as at 30 June 2005.
- Amount due to Ms. Chiu Kam Hing, Kathy, a previous Director, is a loan of HK\$1,500,000 advanced by Ms. Chiu to the Group in March 2004, which bears 3% interest per annum and became due in June 2005 and no interest was incurred after June 2005. Up to 31 December 2005 and 30 June 2005, the accrued interest for the loans was approximately HK\$57,574 and HK\$57,574 respectively. Neither the principal nor the interest of the loan has been repaid by the Group up to the Latest Practicable Date.

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4. Amount due to Oceanwide, which through Advance Elite Holdings Limited is a substantial Shareholder interested in approximately 17.7% of the issued share capital of the Company as at the Latest Practicable Date, includes (i) a loan amounting to HK\$2,500,000 advanced by Oceanwide to the Group in October 2003, which bears 3% interest per annum and became due on 30 June 2004; and (ii) reimbursable expenses to Oceanwide amounting to HK\$103,100. Up to 30 June 2005, the accrued interests for the loan were approximately HK\$131,300. On 30 November 2005, a deed of waiver was made between the Company and Oceanwide pursuant to which Oceanwide agreed to waive the debt of HK\$2,765,838 (including the amount of approximately HK\$2,734,401 brought forward from 30 June 2005) due by the Company. As such, no amount was due to Oceanwide by the Company as at 31 December 2005.
5. Amount due to Mr. Lau includes (i) salaries payable to him amounting to HK\$400,000 for the four months ended 30 June 2004 at HK\$100,000 per month; (ii) salaries payable to him amounting to HK\$350,000 for the seven months ended 31 January 2005 at HK\$50,000 per month; and (iii) reimbursable expenses to him amounting to HK\$78,404. Mr. Lau confirmed on 24 March 2005 that he will not demand the above balance until 28 February 2007.
6. Amount due to Mr. Gordon Chan is a loan of HK\$400,000 advanced by Mr. Gordon Chan to the Group, which bears no interest and will become due on 30 May 2006. Amount due to Mr. Gordon Chan will be offset against the amount to be payable by the Subscriber under the Subscription upon Completion if the Subscription is completed as expected. Mr. Gordon Chan is the sole beneficial owner of the Subscriber, and he is not a connected person of the Company save for the Subscription Agreement entered into between the Subscriber and the Company.
7. Amount due to the Subscriber is the deposit for the Subscription of HK\$800,000, which will be offset against the amount to be payable by the Subscriber under the Subscription upon Completion if the Subscription is completed as expected, or refunded to the Subscriber in the event that the Subscription is terminated or rescinded.
8. Amount due to Mr. Ding Xiaobin, a non-executive Director, is a loan advanced by Mr. Ding to the Group on 17 November 2005 of HK\$50,000 which is interest free and has no repayment schedule.
9. The following is a breakdown of accrued expenses and other payables as at 31 December 2005 and 30 June 2005:

	As at 31 December 2005	As at 30 June 2005
	<i>(HK\$)</i>	<i>(HK\$)</i>
Salaries (apart from salaries as set out in notes 2 and 5 above)	53,200	19,000
Mandatory provident fund	4,600	20,400
Audit fee	78,000	130,000
Directors' fees	90,000	52,500
Printing costs	172,149	235,524
Investment manager fee	14,412	14,412
Share registrar fee	163,410	94,307
Company secretary fees and consultation fee	314,555	325,534
Loan from an Independent Third Party	400,000	400,000
Other operating expenses	50,139	38,153
	1,340,465	1,329,830
Total	1,340,465	1,329,830

As advised by the Directors, the above expenses were immediately payable.

The Directors' fee includes remuneration payable to (i) Ms. Chiu Kam Hing, Kathy of approximately HK\$15,000 as at 31 December 2005 and HK\$7,500 as at 30 June 2005; (ii) Mr. Pong Po Lam, Paul of approximately HK\$15,000 as at 31 December 2005 and HK\$7,500 as at 30 June 2005; (iii) Ms. Ho Chiu King, Pansy of approximately HK\$30,000 as at 31 December 2005 and HK\$22,500 as at 30 June 2005; (iv) Dr. Chan Po Fun, Peter of approximately HK\$15,000 as at 31 December 2005 and HK\$7,500 as at 30 June 2005; and (ix) Dr. Cheung Wai Bun, Charles of approximately HK\$15,000 as at 31 December 2005 and HK\$7,500 as at 30 June 2005.

Loan from an Independent Third Party refers to a loan, which is neither guaranteed nor secured by any assets of the Group, amounting to HK\$400,000 advanced by an Independent Third Party, who is a friend of Mr. Ding Xiaobin, a non-executive Director, to the Group for general working capital purpose, which bears no interest and has no repayment schedule.

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10. All of the amounts due as set out in notes 1 to 8 are neither guaranteed nor secured by any assets of the Group. All the loans advanced to the Group as set out in notes 1 to 4 and 6 have been used as general working capital of the Group.

In response to the business deadlock and with the hope to turn round the situation, the Group has been looking for fund raising opportunities and negotiating with certain potential investors. On 2 November 2005, the Company and the Subscriber entered into the Subscription Agreement pursuant to which the Subscriber conditionally agreed to subscribe in cash for an aggregate of HK\$8 million for 89,142,857 Subscription Shares. The Directors believe that the Group's financial position will be strengthened by such capital injection and the Directors will approach the creditors of the Group seeking a debt restructuring plan with an aim to further improve the Group's financial position and business strength.

Use of proceeds

The Subscription will be financed by funds from Mr. Gordon Chan, the sole shareholder of the Subscriber and the estimated net proceeds from the Subscription of approximately HK\$7 million will be used to repay the indebtedness of the Group.

CHANGE IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

The following table illustrates the shareholding structure of the Company prior to and immediately following Completion, based on the number of issued Shares as at the Latest Practicable Date:

	As at the date of the Latest Practicable Date		After Completion of the Subscription	
	<i>approximate</i> Shares	%	<i>New</i> Shares	<i>approximate</i> %
The Subscriber and parties acting in concert (as defined in the Takeovers Code)	–	–	89,142,857	65.0
Advance Elite Holdings Limited (<i>Note 1</i>)	8,500,000	17.7	8,500,000	6.2
Deng Chi Yuan (<i>Note 2</i>)	4,830,000	10.1	4,830,000	3.5
Public	34,670,000	72.2	34,670,000	25.3
Total	<u>48,000,000</u>	<u>100.0</u>	<u>137,142,857</u>	<u>100.0</u>

Notes:

1. Advance Elite Holdings Limited is a wholly-owned subsidiary of Oceanwide. As far as the Directors are aware, Mr. Lau and Ms. Chan Sui Kuen, the spouse of Mr. Lau, are beneficial shareholders of approximately 28.75% and 12.08% respectively of the issued share capital of Oceanwide. The remaining issued share capital of Oceanwide is owned as to approximately 20.83% by Mr. Paul Lan, approximately 21.67% by Ms. Cheung Sze Wing and approximately 16.67% by CITIC Group which is wholly and beneficially owned by the State Assets Committee. Save for Ms. Chan Sui Kuen is the spouse of Mr. Lau, the shareholders of Oceanwide are independent and not connected with each other.
2. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Mr. Deng Chi Yuan is not related to any connected person to the Company as at the Latest Practicable Date, and his holding of about 3.5% of the issued share capital of the Company after Completion will be regarded as public float.

Immediately upon Completion, the Subscriber will become the controlling Shareholder holding approximately 65.0% of the issued share capital of the Company as enlarged by the allotment and issue of Subscription Shares and the public float of the Company will be approximately 28.8%.

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As of the Latest Practicable Date, the Company had no other outstanding options, warrants, derivatives or other securities that are convertible into Shares.

INFORMATION ON THE SUBSCRIBER

The Subscriber is an investment holding company incorporated in British Virgin Islands. Save for entering into the Subscription Agreement, the Subscriber has not carried out any business activities since its incorporation. The Subscriber is wholly and beneficially owned by Mr. Gordon Chan who is also the sole director of the Subscriber.

Mr. Gordon Chan, aged 50, has extensive experience in automobile industry of the PRC, including the manufacture, sale and trading of automotive parts and components worldwide. Mr. Gordon Chan's businesses cover many regions of the PRC, and his business counterparts include well-known multinational and PRC automobile brands. Mr. Gordon Chan holds many public posts in Hong Kong and the PRC with respect to automobile industry, including but not limited to panel member of Hong Kong Automotive Parts and Components Research and Development Commission of HKSAR Innovation and Technology Commission* (香港特區政府創新科技署“香港汽車零部件研究發展中心”委員會), panel member of the PRC Affairs Division of Hong Kong Trade Development Council* (香港貿易發展局中國事務委員會), chairman of Automotive Parts and Components Division of Hong Kong Productivity Council* (香港生產力促進局-香港汽車零部件工業協會), permanent honor chairman of International Automobile Engineers Institution – Hong Kong* (國際汽車工程師學會－香港), deputy chairman of Foreign Investment Commission of Qingyuan, Guangdong Province* (廣東省清遠市外商投資企業協會). As disclosed in the paragraph headed “Changes in the Board composition” below, effective from the Completion, Mr. Gordon Chan will be appointed as a non-executive Director. Mr. Gordon Chan does not engage in any business that is directly or indirectly competing with the Group. Mr. Gordon Chan does not hold any directorship during the past three years in any company, the shares of which are listed on the Stock Exchange, and he does not have experience in professional management of investments on behalf of third party investors. Mr. Gordon Chan does not have any interest in the securities of the Company within the meaning of Part XV of the SFO. Mr. Gordon Chan is not aware of any other matters that need to be brought to the attention of the Shareholders. Except for being the father of Mr. Chan Wing Chung, Eric, the proposed non-executive Director of the Company effective from the Completion, Mr. Gordon Chan is not connected with any Directors, senior management of the Company, substantial or controlling Shareholders or any proposed Directors as disclosed in the paragraph headed “Changes in the Board composition” below. In light of the current financial position of the Company, Mr. Gordon Chan agreed that no director's fee or emoluments of any kind will be payable to him.

CHANGES IN THE BOARD COMPOSITION

Effective from 17 February 2006, being the date of the Announcement, Mr. Lan Ning has been re-designated from executive Director as non-executive Director whereby the Board then comprised two executive Directors (namely Ms. Wang and Mr. Pong Po Lam, Paul), three non-executive Directors (namely Mr. Lan Ning, Dr. Chan Po Fun, Peter and Mr. Ding Xiaobin) and three independent non-executive Directors (namely Dr. Cheung Wai Bun, Charles, Mr. Zhang Yong and Mr. Gu Qiu Rong) as at the date of this circular. The brief biography of Mr. Lan Ning pursuant to rule 13.51(2) of the Listing Rules was set out in the Announcement.

Effective from the Completion, Mr. Wong Kwong Chi, Simon (“Mr. Simon Wong”) will be appointed as an executive Director, and Mr. Gordon Chan and Mr. Chan Wing Chung, Eric (“Mr. Eric Chan”) will

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be appointed as non-executive Directors. Save for such proposed appointments upon Completion, it is not expected, and the Subscriber does not intend, that there will be any other major changes to the continued employment of the employees of the Group. The Board will then comprise three executive Directors (namely Ms. Wang, Mr. Pong Po Lam, Paul, and Mr. Simon Wong), five non-executive Directors (namely Mr. Lan Ning, Dr. Chan Po Fun, Peter, Mr. Ding Xiaobin, Mr. Gordon Chan and Mr. Eric Chan), and three independent non-executive Directors (namely Dr. Cheung Wai Bun, Charles, Mr. Zhang Yong and Mr. Gu Qiu Rong) effective from the Completion. The brief biography of Mr. Gordon Chan are set out in the section headed “Information on the Subscriber” above, and a brief biography of Mr. Simon Wong and Mr. Eric Chan are as follows:

Mr. Simon Wong, aged 53, is the partner of Argo Global Capital, LLC. which is a venture capital firm focused on investing on behalf of third party investors in companies in the communications and internet industries and Mr. Simon Wong is responsible for deal sourcing, investment decisions making on behalf of third party investors and conducting due diligence works. As at the Latest Practicable Date, the fund size under the management of Argo Global Capital, LLC. was approximately US\$300 million. Mr. Simon Wong had also been a director and executive vice president of Transpac Capital Limited, a company mainly engaged in asset management and advising in securities and corporate finance, during the period from January 1990 to December 2005. During his tenure at Transpac Capital Limited, Transpac Capital Limited managed a fund size of approximately US\$820 million and Mr. Simon Wong had been responsible for management of investments on behalf of third party investors. Mr. Simon Wong also sits on the boards of three Hong Kong listed companies, including as non-executive director of Hang Fung Gold Technology Limited, independent non-executive director of Fountain Set (Holdings) Limited and independent non-executive director of Glory Mark Hi-Tech (Holdings) Ltd. He has years of experience in the capital investment market including professional management of investments on behalf of third parties investors. Mr. Simon Wong holds a Bachelor’s Degree in Science and a Master’s degree in Business Administration from the Chinese University of Hong Kong. Mr. Simon Wong served as the chairman of Hong Kong Venture Capital And Private Equity Association and the vice chairman of The Hong Kong Electronic Industries Association. He is also a member of Hong Kong Young Industrialists Council, the vice president of Hong Kong Auto Parts Industry Association and the Honorary Treasurer of Hong Kong Critical Components Manufacturers Association. Mr. Simon Wong is not connected with Mr. Gordon Chan, Mr. Eric Chan, any Directors, senior management or substantial or controlling shareholders of the Company. Mr. Simon Wong does not have any interest in the securities of the Company within the meaning of Part XV of the SFO. Mr. Simon Wong is not aware of any other matters that need to be brought to the attention of the Shareholders. In light of the current financial position of the Company, Mr. Simon Wong agreed that no director’s fee or emoluments of any kind will be payable to Mr. Simon Wong. Should director’s emoluments be considered appropriate for Mr. Simon Wong in the future, Mr. Simon Wong’s emoluments shall be determined and reviewed by the Board from time to time with reference to the prevailing market conditions and the financial position of the Company. Being one of the members of the Board upon appointment, Mr. Simon Wong will assist in identifying potential investments and make investment decision for the Company. Being the partner of Argo Global Capital, LLC. and a proposed executive Director, it is currently estimate that, between Argo Global Capital, LLC. and the Company, Mr. Simon Wong could allocate about 40% of his time to the Company, the Directors consider that Mr. Simon Wong will allocate sufficient time for the Company.

Mr. Eric Chan, aged 23, graduated from the University of Edinburgh with a master degree of economics and accounting. Mr. Eric Chan currently works for a private company based in Hong Kong as

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a marketing executive and is responsible for liaison with clients, following up customers' orders and developing new clients. He is the son of Mr. Gordon Chan. Mr. Eric Chan does not engage in any business that is directly or indirectly competing or expected to compete with the Group. Mr. Eric Chan does not hold any directorship during the past three years in any company the shares of which are listed on the Stock Exchange, and he does not have experience in professional management of investments on behalf of third party investors. Save as being the son of Mr. Gordon Chan, Mr. Eric Chan is not connected with any Directors, senior management or substantial or controlling shareholders of the Company and Mr. Eric Chan does not have any interest in the securities of the Company within the meaning of Part XV of the SFO. Mr. Eric Chan is not aware of any other matters that need to be brought to the attention of the Shareholders. No director's fee or emoluments of any kind will be payable to Mr. Eric Chan.

TAKEOVERS CODE IMPLICATIONS FOR THE SUBSCRIBER

Upon completion of the Subscription Agreement, the Subscriber and its concert parties will hold approximately 65.0% of the enlarged issued share capital of the Company. In the absence of the Whitewash Waiver, the Subscriber and parties acting in concert with it will be required under Rule 26 of the Takeovers Code to make a general offer for all the issued New Shares not already owned or controlled by the Subscriber and parties acting in concert with it.

The grant of the Whitewash Waiver from the Executive is one of the conditions precedent to the Subscription Agreement. An application has been made by the Subscribers to the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code for the Whitewash Waiver and the Executive has indicated that the Whitewash Waiver will be granted, subject to the approval of the Independent Shareholders on a vote taken by way of poll. If the Whitewash Waiver is granted and approved by the Independent Shareholders, the obligation of the Subscriber and parties acting in concert with it to make a mandatory general offer under Rule 26 of the Takeovers Code will be waived. If the Whitewash Waiver is granted, the Subscriber will not be required to make a general offer to the Shareholders under Rule 26 of the Takeovers Code as a result of the allotment and issue of the Subscription Shares.

Upon Completion, the Subscriber and parties acting in concert with it will hold more than 50% of the enlarged issued share capital of the Company. Accordingly, the Subscriber and parties acting in concert with it may increase their holding in the Company without incurring any further obligation under Rule 26 of the Takeovers Code to make a general offer.

Other than pursuant to the Subscription Agreement, neither the Subscriber nor any parties acting in concert with it had dealt for value in the securities of the Company during the period beginning six months prior to the date of the Announcement and up to the Latest Practicable Date, nor will they do so prior to the completion of the Subscription Agreement.

INFORMATION ON THE GROUP

The Company is an investment holding company incorporated on 12 July 2000 in the Cayman Islands as an exempted company with limited liability, and the Shares became listed on the Stock Exchange under Chapter 21 of the Listing Rules in 2001. The Group is principally engaged in the investment of listed and unlisted companies established and/or doing business in Hong Kong and other parts of the PRC.

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The Group recorded audited turnover of approximately HK\$3.5 million, nil and nil for the year ended 30 June 2003, 2004 and 2005 respectively, audited net loss attributable to Shareholders of approximately HK\$18.2 million, HK\$6.1 million and HK\$2.6 million for the year ended 30 June 2003, 2004 and 2005 respectively, and audited net assets of approximately HK\$11.3 million, HK\$3.7 million and HK\$1.1 million as at 30 June 2003, 2004 and 2005 respectively. The turnover of HK\$3.5 million for the year ended 30 June 2003 was generated from trading of certain listed securities in Hong Kong during the year, whereas the nil turnover for the year ended 30 June 2004 and 2005 was due to the fact that the Group did not make any major investment during the year as a result of lack of new capital for investments, and that the Group did not receive any dividend payment from its investee companies during the year. Since 30 June 2005, the Group has not made any investment/ divestment and recorded nil turnover. The auditors' report for each of the three years ended 30 June 2005 has no qualification, but the auditors' report for each of the two years ended 30 June 2005 is prepared on the going concern basis dependent upon continued financial support from Oceanwide.

As at the Latest Practicable Date, the Company carries interests in three major investments, including (i) China Link Investment Group Limited ("China Link"), (ii) Zhongshan Chinese Standard Building Materials Company Limited ("Zhongshan Building") and (iii) Sunkock Development Limited ("Sunkock Development"). Brief particulars of the investments of the Group are set out below:

China Link

During the period from September 2001 to June 2002, the Group acquired, from an Independent Third Party, a total of 22% of the issued share capital of China Link for an aggregate consideration of approximately HK\$5 million. China Link was incorporated in British Virgin Islands on 31 May 2000, and is principally engaged in the development of a website providing on-line professional consultancy services in the PRC and its major assets are its investments in China Expert Technology, Inc ("China Expert") which is a company listed on the NASDAQ OTC board in February 2004. As stated in the annual report of the Company 2005, the carrying value in China Link as at 30 June 2005 was HK\$4 million.

Upon the listing of China Expert, the Group's effective interest in China Expert (through its shareholding in China Link) was approximately 2.12% of the entire issued share capital of China Expert. As at the date hereof, China Expert remained listed on the NASDAQ OTC board and the Company's interest therein remained unchanged. Shares of China Expert were traded at US\$2.11 each with the market capitalisation of approximately US\$49.8 million (equivalent to approximately HK\$388.4 million) as at the Latest Practicable Date. The audited net assets of China Expert as at 31 December 2004 and as at 30 September 2005 was approximately US\$12.6 million (equivalent to approximately HK\$98.3 million) and US\$21.6 million (equivalent to approximately HK\$168.5 million) respectively. The audited revenue of China Expert for each of the years ended 31 December 2003 and 2004 were US\$5.7 million (equivalent to approximately HK\$44.5 million) and US\$26.8 million (equivalent to approximately HK\$209.0 million) respectively. The unaudited revenue of China Expert for the nine months ended 30 September 2005 was approximately US\$26.0 million (equivalent to approximately HK\$202.8 million). The audited net income of China Expert for each of the years ended 31 December 2003 and 2004 were US\$1.2 million (equivalent to approximately HK\$9.4 million) and US\$7.8 million (equivalent to approximately HK\$60.8 million) respectively. The unaudited net income of China Expert for the nine months ended 30 September 2005

LETTER FROM THE BOARD

was approximately US\$7.93 million (equivalent to approximately HK\$61.85 million). All the net assets, revenue and net income of China Expert stated above were prepared in accordance with Generally Accepted Accounting Principles in the United States.

Save as the interests in China Expert, China Link does not have material assets and liabilities. The Company has not received any dividend payment from China Link and China Expert since its initial investments in 2001.

Zhongshan Building

The Group entered into a share transfer agreement on 18 July 2001 with an Independent Third Party, under which the Company agreed to acquire approximately 5% equity interest in Zhongshan Building for HK\$5 million. Zhongshan Building was established in the PRC on 5 January 2000 with a registered capital of RMB85.71 million (equivalent to approximately HK\$82.4 million), and is principally engaged in the production and distribution of window frames in the PRC. As stated in the annual report of the Company 2005, the Group's carrying value in Zhongshan Building as at 30 June 2005 was HK\$2.5 million.

As at 31 December 2004 and 30 June 2005, the effective interest of the Group in Zhongshan Building was approximately 1.99%. According to the audited report of Zhongshan Building for the year ended 31 December 2004 prepared in accordance with PRC Generally Accepted Accounting Principles, Zhongshan Building recorded an audited revenue and net loss of approximately RMB24.8 million (equivalent to approximately HK\$23.8 million) and RMB1.1 million (equivalent to approximately HK\$1.1 million) respectively for the year ended 31 December 2004. The net asset value of Zhongshan Building was approximately RMB115.2 million (equivalent to approximately HK\$110.8 million) as at 31 December 2004 and the net asset value of Zhongshan Building attributable to the Group was approximately RMB2.3 million (equivalent to approximately HK\$2.2 million) as at 31 December 2004. According to the unaudited financial information of Zhongshan Building for six months ended 30 June 2005 prepared in accordance with PRC Generally Accepted Accounting Principles, Zhongshan Building recorded an unaudited revenue and net loss of approximately RMB9.6 million (equivalent to approximately HK\$9.2 million) and RMB109,851 (equivalent to approximately HK\$105,626) respectively for the six months ended 30 June 2005. The unaudited net asset value of Zhongshan Building was approximately RMB115.1 million (equivalent to approximately HK\$110.7 million) as at 30 June 2005 and the net asset value of Zhongshan Building attributable to the Group was approximately RMB2.3 million (equivalent to approximately HK\$2.2 million) as at 30 June 2005.

The Company has not received any dividend payment from Zhongshan Building since its initial investments in 2001.

Sunkock Development

A wholly-owned subsidiary of the Company entered into an agreement on 22 June 2001 with an Independent Third Party, under which the Group agreed to acquire 20% equity interest in Sunkock Development held by the Independent Third Party for HK\$5 million. Sunkock Development was principally engaged in the development of medical products in the PRC. As at 30 September 2004, the net liabilities of Sunkock Development was approximately HK\$1.1 million where the latest financial figure of Sunkock Development for the year 2005 was not available as at the Latest Practicable Date. As stated in the annual report of the Company 2005, the Group's carrying value in Sunkock Development as at 30 June

LETTER FROM THE BOARD

2005 was HK\$2.5 million. Currently, the asset of Sunkock Development is its newly developed medical product which has completed animal testing and is undergoing the finalising stage of research and development, and will be introduced to the market after completion of human testing. As at the date hereof, Sunkock Development had not generated any cash inflow since its establishment. The Company has not received any dividend payment from Sunkock Development since its investment in 2001.

The above investments made by the Company were with an aim to capitalise its investments on the capital markets of and/or outside of the PRC. Because of lack of new capital for investments, the Group has not made any investments/divestment since 30 June 2005. The Group is currently reviewing the performance of the three investments and intends to identify opportunity to realise the investments whenever appropriate.

FUTURE INTENTIONS OF THE SUBSCRIBER

The Subscriber currently intends to support the Group to continue with its existing business and the investment policy of the Company to invest in listed and unlisted companies established and/or doing business in Hong Kong and other parts of the PRC. The Subscriber has undertaken to the Company that, upon completion of the Subscription Agreement, an amount of HK\$5 million will be provided to the Company by way of shareholder's loan from the Subscriber. The shareholder's loan shall be unsecured, with a term of three years and interest rate at 4.5% per annum. The Directors (including the independent non-executive Directors) consider the shareholder's loan is on normal commercial terms. Of the HK\$5 million shareholder's loan, HK\$2 million will be used for future investment(s) of the Company and the remaining HK\$3 million will be for the Group's general working capital. As stated in the Company's annual report for the year ended 30 June 2005, the Company as at 30 June 2005 had audited total assets of approximately HK\$9.2 million, net assets of approximately HK\$1.1 million, and net current liabilities of approximately HK\$4.4 million.

The provision of the shareholder's loan will constitute a connected transaction of the Company under Chapter 14A of the Listing Rules, but it will be exempted from reporting, announcement and independent shareholders' approval requirements under rule 14A.65(4) of the Listing Rules since shareholder's loan will be provided to the Company on normal commercial terms (or better to the Company) where no security over the assets of the Company is granted in respect of the shareholder's loan. Save for the shareholder's loan, the Subscriber and its associates have no current intention to inject/acquire assets/ business into/ from the Group. The Subscriber will review the investment portfolio of the Group and may consider to realise some of the current investment as well as to make investments for the Group subject to the market conditions and requirements set out in the Listing Rules. Save as aforesaid, the Subscriber does not intend to introduce any major changes to the existing business of the Group, including any redeployment of the fixed assets of the Company.

In light of the listing status of the Company, the investment experience of the new Board of the Company, the Subscriber is confident that the Subscription will assist the Company to improve the financial position in the long-term and considered it to be commercially justifiable in the long run to make investment in the Company through the Subscription.

LETTER FROM THE BOARD

It is the intention of the Subscriber to maintain the listing of the Company on the Stock Exchange. **The Stock Exchange has stated that it will closely monitor the dealing in the Shares/New Shares on the Stock Exchange. The Stock Exchange has also stated that, if less than 25% of the issued New Shares are in public hands following Completion, or if the Stock Exchange believes that a false market exists or may exist in the trading of the New Shares or that there are insufficient New Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend dealings in the New Shares.**

The Stock Exchange has stated that if the Company remains as a listed company, the Stock Exchange will closely monitor all future acquisitions or disposals of assets by the Company. Any acquisitions or disposals of assets by the Company will be subject to the provisions of the Listing Rules. Pursuant to the Listing Rules, the Stock Exchange has the discretion to require the Company to issue an announcement and/or a circular to its Shareholders irrespective of the size of any proposed transaction, particularly when such proposed transaction represents a departure from the principal activities of the Company. The Stock Exchange also has the power pursuant to the Listing Rules to aggregate a series of acquisitions of assets by the Company and any such acquisitions may result in the Company being treated as if it were a new listing applicant and subject to the requirements of new listing applications as set out in the Listing Rules.

EGM

There is set out on page 108 to page 111 of this circular a notice convening the EGM to be held at Taurus Room, 33/F., Rosedale on the Park, 8 Shelter Street, Causeway Bay, Hong Kong, on 3 April 2006 at 3:00 p.m., at which resolutions will be proposed to the Independent Shareholders to consider and, if thought fit, approve the resolutions in respect of the Change of Domicile, the Capital Reorganisation involving the Capital Reduction, the Capital Subdivision and the Cancellation of Share Premium Account, the Subscription Agreement including issue of the Subscription Shares, amendments of the memorandum and articles of association of the Company, and the adoption of the new memorandum of continuance and bye-laws and the Whitewash Waiver by poll. As Oceanwide is the warrantor under the Subscription Agreement and a substantial Shareholder indirectly holding 8,500,000 Shares, representing approximately 17.7% equity interests (i.e. voting rights) of the Company, through its interest in Advance Elite Holdings Limited, Oceanwide is interested in the transactions. Therefore, Oceanwide and its respective concert parties or associates, including Advance Elite Holdings Limited shall abstain from voting on the said resolutions at the EGM. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, other than Oceanwide and its respective concert parties or associates, including Advance Elite Holdings Limited, no Shareholders will be required to abstain from voting on the resolutions.

A form of proxy for use at the EGM is enclosed with this circular. In order to be valid, the enclosed form of proxy, together with any power of attorney or other authority under which it is signed must be delivered to the offices of the Company's branch share registrar and transfer office in Hong Kong, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queens' Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding the EGM or any adjournment thereof. Completion and return of the enclosed form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors are of the opinion that the Change of Domicile, Capital Reorganisation involving the Capital Reduction, the Capital Subdivision and the Cancellation of Share Premium Account, the Subscription Agreement, amendments of the memorandum and articles of association of the Company, adoption of the new memorandum of continuance and bye-laws, and the Whitewash Waiver are in the interests of the Company and the Independent Shareholders as a whole and the Directors consider that the terms of the Subscription Agreement are fair and reasonable. Accordingly, the Directors recommended you to vote in favour of the resolutions to be proposed in the EGM.

Given that (i) Mr. Lan Ning, a non-executive Director, is a director of Oceanwide and provided a loan of total HK\$300,000 to the Company; (ii) Mr. Ding Xiaobin, a non-executive Director, provided a loan of HK\$50,000 to the Company, and (iii) the proceeds from the Subscription will be applied to repay the indebtedness of the Group including the loans due to Mr. Lan Ning and Mr. Ding Xiaobin, each of Mr. Lan Ning and Mr. Ding Xiaobin is not considered to be independent under the Takeovers Code to opine on the Whitewash Waiver. As a result, the Independent Board Committee has been established comprising Dr. Chan Po Fun, Peter, being the non-executive Director and Dr. Cheung Wai Bun, Charles, Mr. Zhang Yong and Mr. Gu Qiu Rong, being the independent non-executive Directors, to consider and make recommendation to the Independent Shareholders as regards the Whitewash Waiver after taking into account the advice from the Joint Independent Financial Advisers. Menlo Capital Limited and Veda Capital Limited have been appointed by the Company as the joint independent financial advisers to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness in respect of the Whitewash Waiver. The appointment of the Joint Independent Financial Advisers has been approved by the Independent Board Committee.

GENERAL

Your attention is drawn to the letter from the Independent Board Committee set out on page 28 of this circular and the letter of advice received from the Joint Independent Financial Advisers on pages 29 to 44 of this circular.

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully
By the order of the board
Prime Investments Holdings Limited
Wang Wen Xia
Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Whitewash Waiver.



PRIME INVESTMENTS HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 721)

10 March 2006

To the Independent Shareholders

Dear Sir or Madam,

We refer to the circular of the Company dated 10 March 2006 (the “Circular”), of which this letter forms part. Terms used herein have the same meanings as those defined in the Circular unless otherwise specified.

We have been appointed by the Board to form the Independent Board Committee to advise the Independent Shareholders in respect of the Whitewash Waiver. Details of which are set out in the “Letter from the Board” contained in the Circular. The Joint Independent Financial Advisers have been appointed to advise the Independent Board Committee and the Independent Shareholders in this respect. Details of its advice, together with the principal factors and reasons it has taken into consideration in giving its advice, are set out in its letter on pages 29 to 44 of the Circular. Your attention is also drawn to the letter from the Board and the additional information set out in the appendices to the Circular.

Having taken into account the advice of, and the principal factors and reasons considered by the Joint Independent Financial Advisers in relation thereto as stated in its letter, we consider the Whitewash Waiver is fair and reasonable so far as the interests of the Shareholders as a whole, and recommend the Independent Shareholders to vote in favour of the resolutions as set out in the notice of the EGM to approve the Whitewash Waiver.

Yours faithfully,

For and on behalf of the Independent Board Committee

Dr. Chan Po Fun,
Peter

*Non-executive
Director*

Dr. Cheung Wai Bun,
Charles

*Independent
Non-executive Director*

Mr. Zhang Yong
Independent

Non-executive Director

Mr. Gu Qiu Rong
Independent

Non-executive Director

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

The following is the text of a letter from Menlo Capital Limited and Veda Capital Limited in connection with the advice to the Independent Board Committee and Independent Shareholders on the Whitewash Waiver which has been prepared for the purpose of inclusion in this circular:



Menlo Capital Limited

Unit 06 1/F Beautiful Group Tower
77 Connaught Road,
Central, Hong Kong

VEDA | CAPITAL
智略資本

Suite 2816 One International Finance Centre
1 Harbour View Street
Central, Hong Kong

10 March 2006

*To the Independent Board Committee and
the Independent Shareholders of
Prime Investments Holdings Limited*

Dear Sirs,

THE WHITEWASH WAIVER

We refer to our appointment as the joint independent financial advisers to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Whitewash Waiver are fair and reasonable and the Whitewash Waiver are in the interest of the Company and the Shareholders as a whole, details of which are set out in the letter from the Board (the “Board Letter”) contained in the circular of the Company dated 10 March 2006 (the “Circular”) of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

On 2 November 2005, the Company and the Subscriber entered into the Subscription Agreement pursuant to which the Company agreed to allot and issue and the Subscriber agreed to subscribe in cash of HK\$8,000,000 for a total of 89,142,857 Subscription Shares which represents the subscription price of approximately HK\$0.0897 per Subscription Share. The 89,142,857 Subscription Shares represent approximately 185.7% of the existing issued share capital of the Company and approximately 65.0% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. The net proceeds from the Subscription are estimated to be approximately HK\$7 million and the Directors intend to apply such net proceeds to repay outstanding indebtedness of the Group.

Completion of the Subscription Agreement is conditional upon the fulfillment of certain conditions. Details of such conditions are set out under the section headed “The Subscription” in this letter.

Upon completion of the Subscription, the Subscriber and parties acting in concert with it will hold approximately 65.0% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. In the absence of the Whitewash Waiver, the Subscriber and parties acting in concert with it will be required under Rule 26 of the Takeovers Code to make a general offer for all the

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

issued Shares not already owned or agreed to be acquired by the Subscriber and parties acting in concert with it. The grant of the Whitewash Waiver, if successfully applied for, will be subject to passing of a resolution by the Independent Shareholders other than Oceanwide and its respective concert parties or associates, including Advance Elite Holdings Limited, by way of a poll at the EGM and is a condition precedent to Completion.

Menlo Capital Limited and Veda Capital Limited are not beneficially interested in the shares capital of the Group and do not have any right to subscribe for or to nominate persons to subscribe for securities in any member of the Group and are independent under the Listing Rules.

In formulating our opinion, we have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors and management of the Company. We have assumed that all information, representations and opinions contained or referred to in the Circular and all information, representations and opinions which have been provided by the Directors or management of the Company, for which the Directors are solely responsible, are true and accurate at the time they were made and are accurate at the date of this letter.

We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent investigation into the business and affairs of the Company or its respective subsidiaries or associated companies. We have taken all reasonable steps pursuant to Note 1 (a) to (e) to rule 13.80 of the Listing Rules, which include the following:

- (a) obtaining all information and documents of the Company relevant to an assessment of the fairness and reasonableness of the terms of the Whitewash waiver, including but not limited to the documents and materials, such as the Agreement and the proposals (the "Proposals") relating to the subscription of the Shares (including the Subscription);
- (b) researching the pricing of the recent shares subscription transactions and shares placing transactions announced by the main board listed companies on the Stock Exchange;
- (c) reviewing the annual reports, the interim reports, the audited accounts, the management accounts, the list of liabilities, the Proposals and the board minutes of the Company relating to the Proposals;
- (d) obtaining confirmation from the Directors that there is no third party expert providing an opinion relating to the Proposals; and
- (e) reviewing and assessing the Proposals and the reasons given by the management for selecting the Subscription from the Proposals.

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

PRINCIPAL FACTORS TAKEN INTO ACCOUNT

In arriving at our advice to the Independent Board Committee and the Independent Shareholders in respect of the Whitewash Waiver in relation to the Subscription, as to whether the terms of the Whitewash Waiver and the terms of the Subscription Agreement are fair and reasonable and whether the Whitewash Waiver are in the interest of the Company and the Shareholders as a whole, we have taken the following principal factors and reasons into consideration:

1. Background, operating results and financial position of the Group

The Company is an investment holding company incorporated on 12 July 2000 in the Cayman Islands as an exempted company with limited liability, and the Shares became listed on the Stock Exchange under Chapter 21 of the Listing Rules in 2001. The Group is principally engaged in the investment of listed and unlisted companies established and/or doing business in Hong Kong and other parts of the PRC.

The Group recorded audited turnover of approximately HK\$3.5 million, nil and nil for the year ended 30 June 2003, 2004 and 2005 respectively, audited net loss attributable to Shareholders of approximately HK\$18.2 million, HK\$6.1 million and HK\$2.6 million for the year ended 30 June 2003, 2004 and 2005 respectively, and audited net assets of approximately HK\$11.3 million, HK\$3.7 million and HK\$1.1 million as at 30 June 2003, 2004 and 2005 respectively. The turnover of HK\$3.5 million for the year ended 30 June 2003 was generated from trading of certain listed securities in Hong Kong during the year, whereas the nil turnover for the year ended 30 June 2004 and 2005 respectively was due to the fact that the Group did not make any major investment during the year as a result of lack of new capital for investments, and that the Group did not receive any dividend payment from its investee companies during the year. Since 30 June 2005, the Group has not made any investment/divestment and recorded nil turnover. The auditors' report for each of the three years ended 30 June 2005 has no qualification, but the auditors' report for each of the two years ended 30 June 2005 is prepared on the going concern basis dependent upon continued financial support from Oceanwide.

As at the Latest Practicable Date, the Company carries interests in three major investments, including (i) China Link Investment Group Limited, (ii) Zhongshan Chinese Standard Building Materials Company Limited and (iii) Sunkock Development Limited. Brief particulars of these investments of the Group can be referred to the section headed "Information of the Group" in the Board Letter.

The above investments made by the Company were with an aim to capitalise its investments on the capital markets of and/or outside of the PRC. Because of lack of new capital for investments, the Group has not made any investments/divestment since 30 June 2005. The Group is currently reviewing the performance of the three investments and intends to identify opportunity to realise the investments whenever appropriate.

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

Meanwhile, the Group had unaudited liabilities of approximately HK\$7.64 million as at 31 December 2005 and audited liabilities of approximately HK\$8.10 million as at 30 June 2005, the breakdown and details of which can be found in the section headed “Reasons for the Subscription” in the Board Letter. As advised by the Directors, out of the unaudited liabilities of the Group as at 31 December 2005, approximately HK\$1.34 million are immediately payable.

2. Reasons for the Subscription

In response to the business deadlock and with the hope to turn around the existing financial situation of net loss and net liabilities, the Group has been looking for fund raising opportunities and negotiating with certain potential investors.

During the period from June 2005 to September 2005, the Company received the Proposals relating to the subscription of the Shares (including the Subscription) and it held several board meetings to discuss the terms of the Proposals and to decide whether to proceed negotiating with the potential investors under each of the Proposals. Finally, the proposal submitted by the Subscriber was adopted by the Board.

Having reviewed the terms and business plans of the Proposals, the availability of fund proof and the explanation from the Directors, we are aware of certain factors as follows:

- only the Subscription is supported with a fund proof for the subscription amount;
- two of the Proposals had predetermined business to be injected which might have difficulties for the Company to accommodate; and
- one subscriber of the Proposals did not respond to the negotiation with the Company in a reasonable efficient manner.

We are of the view that, for the time being, the Subscription is the only feasible proposal for the Company. Accordingly, we are of the view that under the existing financial situation of the Company, the Subscription is in the interest of the Company and the Shareholders as a whole.

3. The Subscription

The Subscription

Issuer: The Company

Subscriber: Poly Good Group Limited, the Subscriber. The Subscriber is wholly-owned by Mr. Chan Yan Ting, Gordon. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the Subscriber and its ultimate beneficial owner are third parties independent of the Company and connected persons of the Company, and they are not parties acting in concert with any connected persons of the Company.

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

Warrantor: Oceanwide

On 2 November 2005, the Company and the Subscriber entered into the Subscription Agreement pursuant to which the Company agreed to allot and issue and the Subscriber agreed to subscribe in cash of HK\$8,000,000 for a total of 89,142,857 Subscription Shares which represents the Subscription Price of approximately HK\$0.0897 per Subscription Share.

The 89,142,857 Subscription Shares represents approximately 185.7% of the existing issued share capital of the Company and approximately 65.0% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

Completion of the Subscription Agreement is conditional upon the following conditions having been fulfilled:

- (a) the passing of the necessary special and ordinary resolutions by the Shareholders to approve the Change of Domicile and the Capital Reorganisation;
- (b) compliance with the relevant legal procedures and requirements under the Cayman Islands law, Bermuda law and the Listing Rules to effect the Change of Domicile and the Capital Reorganisation;
- (c) the Listing Committee of the Stock Exchange granting approval of the listing of, and permission to deal in, the New Shares in issue arising from the Capital Reorganisation;
- (d) the Change of Domicile and the Capital Reorganisation becoming effective;
- (e) the completion of the restructuring of the liabilities of the Group in such manner as the Company and the Subscriber may agree;
- (f) clearance of the Announcement by the Stock Exchange and the SFC;
- (g) the passing by the Shareholders of resolutions in the EGM in compliance with the requirements of the Listing Rules and the Takeovers Code approving:
 - (i) (if necessary) the increase in the authorised share capital of the Company to such figure as will allow the Company to allot and issue the Subscription Shares;
 - (ii) the Subscription Agreement and the issue and allotment of the Subscription Shares in accordance with the terms of the Subscription Agreement; and

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

- (iii) the grant of a waiver in respect of the obligation of the Subscriber and the parties acting in concert with it (if any) to make a mandatory general offer to the Shareholders in respect of the New Shares not already owned or agreed to be acquired by the Subscriber or any parties acting in concert with it (if any);
- (h) the Listing Committee agreeing to grant the listing of, and permission to deal in, the Subscription Shares;
- (i) the Executive granting to the Subscriber and parties acting in concert with it (if any) a waiver of the obligation to make a mandatory general offer to the Shareholders;
- (j) consent in principle of the Stock Exchange to the resumption of trading of New Shares in issue on the Stock Exchange having been obtained;
- (k) no indication being received on or before the date of Completion from the Stock Exchange or the SFC to the effect that the listing of the New Shares may be withdrawn or objected to; and
- (l) the Subscriber notifying the Company or the Company's solicitors in writing that upon completion of the due diligence review, it is satisfied that the actual and contingent liabilities of the Group as at the date of Completion do not exceed HK\$8,500,000.

In relation to condition (h) above, the Subscriber is aware that the Stock Exchange has indicated that they would normally not grant any listing approval to the Company whose Shares being suspended from trading for a prolonged period of time until the concerns leading to the prolonged suspension have been cleared and suitability under Rule 13.24 of the Listing Rules should be demonstrated to the satisfaction of the Stock Exchange before resumption of the trading of the Shares. As at the Latest Practicable Date, the Company has yet to demonstrate to the satisfaction of the Stock Exchange that the Group is suitable for continued listing and has a sufficient level of operation and/or assets. We are of the view that the completion of the Subscription will improve the level of operation and assets of the Company. Details of facts and analysis are set out under the sections headed "Future Intention of the Subscriber" and "Effects of the Subscription" in this letter.

The estimated net proceeds from the Subscription of approximately HK\$7 million will be used to repay the indebtedness of the Group.

The Directors believe that the Group's financial position will be strengthened by such capital injection and the Directors will approach the creditors of the Group seeking a debt restructuring plan with an aim to further improve the Group's financial position and business strength.

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

We are of the view that the Group is in financial difficulties due to (i) no sufficient funding for daily operation of the Group; (ii) no funding for further potential investments; (iii) being under the pressure of demand for immediate repayment from certain lenders and (iii) unable to raise funding through debt under the current financial situation. It is reasonable for the Directors to consider equity financing in order to turn around the situation. In light of the above, we consider the Subscription is in the interest of the Company and the Shareholders as a whole.

Pursuant to the Subscription Agreement, Oceanwide as the warrantor to the Subscription Agreement represented and warranted to the Subscriber that:

- (a) at Completion:
 - (i) the consolidated net tangible asset value of the Group (on the same valuation basis as adopted in preparation of the Accounts) after making all appropriate deductions, accruals and/or provisions for all fees, expenses and costs payable by the Group for the transactions under this Agreement (including the fees and expenses payable to the financial advisers of the Company and other professional advisers) shall not be negative; and
 - (ii) the total liabilities of the Group (including contingent liabilities) shall not be more than HK\$8,500,000; and
- (b) all guarantees (if any) given by any member of the Group for Oceanwide or his associates shall be released and discharged as soon as practicable after third business day following the date on which the conditions set out in the paragraph headed “Conditions of the Subscription Agreement” are fulfilled or waived (the “Completion Date”) and Oceanwide alone shall indemnify and keep such member of the Group indemnified on demand from and against all amounts which such creditors may at any time claim against such member of the Group under such guarantees as well as all actions, suits, proceedings, costs and expenses which may be taken or made against or incurred by such member of the Group in respect of such guarantees.

The Directors advised that no guarantee has been provided by the Company to Oceanwide as at the Latest Practicable Date. The Company and Oceanwide will not be liable under any of the warranties unless notice of a claim under the warranties specifying in reasonable detail and to the extent possible the event or default to which the claim relates and the nature of the breach and amount claimed has been received by the Company and Oceanwide not later than the expiry of the period of 24 months following the Completion Date. The Company and Oceanwide would jointly and severally liable under the warranties provided in the Subscription Agreement and there are no limitation clauses limiting the maximum liabilities of the Company and Oceanwide under the Subscription Agreement.

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

As Oceanwide is a substantial shareholder of the company, the provision of Warranties is a connected transaction but exempted under Rule 14A.65(4) of the Listing Rule. As the Group does not need to provide any consideration for such warranties provided by Oceanwide and the Subscription will improve the Group's financial position, we are of the view that the warranties are in the interest of the Company and the Shareholders as a whole and the warranties are fair and reasonable so far as the Independent Shareholders are concerned.

4. The Subscription Price

The Subscription Price of approximately HK\$0.0897 per Subscription Share was determined after arm's length negotiations between the Company and the Subscriber, after considering the existing liabilities and indebtedness of the Group, the Group's net asset value and the fact that no turnover has been recorded by the Group in the year ended 30 June 2004. The Board is of the view that the terms of the Subscription are fair and reasonable and in the interests of the Shareholders as a whole.

The Subscription Price represents a discount of approximately 72.4% to the closing price of HK\$0.325 per Share as quoted on the Stock Exchange on the Last Trading Day and a discount of approximately 69.5% to the average closing price of HK\$0.2945 per Share as quoted on the Stock Exchange over the last ten trading days up to and including the Last Trading Day and a premium of approximately 52.4% to the Group's unaudited net asset value of HK\$0.047 per Share as at 31 December 2005.

In order to assess the fairness and reasonableness of the Subscription Price, we have also looked into the recent transactions announced by the main board listed companies on the Stock Exchange in the last 3 calendar months before the issue of the Announcement involving the placing or subscription of new shares representing 5% or more of the existing issued share capital denominated in Hong Kong dollars and, to the best of our knowledge, have identified totally 22 such transactions (the "Comparables"). Set out below is a summary key terms of the Comparables.

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

Name of the issuer (Stock code)	Announcement date	Premium/ (Discounts) to the closing share price of the last trading day before the issue of the announcement	Premium/ (Discounts) to the average closing share price for the last ten trading days before the issue of the announcement	Premium/ (Discounts) to the latest consolidated net assets per share of the issuer
Radford Capital Investment Ltd (0901)	18/11/2005	(6.25%)	(6.13%) <i>(Note 1)</i>	(65.6%)
Willie International Holdings Ltd (0273)	21/11/2005	(10%)	(13.34%)	424.25%
China Gas Holdings Ltd (0384)	29/11/2005	(10.23%)	(10.9%)	238.65%
Harbin Power Equipment Co Ltd (1133)	30/11/2005	(4.81%)	0.17%	(30.92%)
Inner Mongolia Development (Holdings) Ltd (0279)	06/12/2005	(4.29%)	(7.97%)	(70.77%)
Unity Investments Holdings Ltd (0913)	07/12/2005	(5.41%)	(14.0%)	(33.33%)
Tidetime Sun (Group) Ltd (0307)	08/12/2005	Nil	7.21%	(10.53%)
Starbow Holdings Ltd (0397)	09/12/2005	(12.77%)	(0.24%)	108.73%
New World Development Co Ltd (0017)	12/12/2005	(10.85%)	3.28%	(34.88%)
Sky Hawk Computer Group Holdings Ltd (1129)	22/12/2005	(19.71%)	(18.15%)	(13.97%)
Vision Grande Group Holdings Ltd (2300)	23/12/2005 <i>(Note 1)</i>	(20.8%)	(17.0%)	247.1%

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

Name of the issuer (Stock code)	Announcement date	Premium/ (Discounts) to the closing share price of the last trading day before the issue of the announcement	Premium/ (Discounts) to the average closing share price for the last ten trading days before the issue of the announcement	Premium/ (Discounts) to the latest consolidated net assets per share of the issuer
Vision Grande Group Holdings Ltd (2300)	23/12/2005 <i>(Note 1)</i>	(52.8%)	(50.59%)	106.6%
Yanion International Ltd (0082)	13/01/2006	(16.1%)	(19.44%)	195.67%
Wing Shing International Holdings Ltd (0850)	01/02/2006	(17.5%)	(18.72%)	5.43%
Inner Mongolia Development (Holdings) Ltd (0279)	02/02/2006	Nil	(6.8%)	(91.5%)
Sino Prosper Holdings Ltd (0766)	06/02/2006	19.4%	26.98%	422.03%
Neo-China Group (Holdings) Ltd (0563)	14/02/2006	(9.2%)	0.79%	285.43%
ITC Corporation Ltd (0372)	15/02/2006	(5.3%)	8.6%	(52.08%)
Chinese Estates Holdings Ltd (0127)	15/02/2006	(8.79%)	(1.01%)	(7.52%)
Karl Thomson Holdings Ltd (0007)	15/02/2006	(10.89%)	18.58%	143.24%
Uni-Bio Science Group Ltd (0690)	15/02/2006	(18.0%)	(18.2%)	19.0%
Technology Venture Holdings Ltd (0061)	20/02/2006	Nil	(3.04%)	(61.66%)
Average		(10.2%)	(6.4%)	78.4%
Mean		(9.6%)	(6.5%)	(1.0%)
The Company	17/02/2006 <i>(Note 2)</i>	(72.4%)	(69.5%)	52.4%

Note 1: There were two transactions announced in the announcement of Vision Grande Group Holdings Ltd dated 23 December 2005.

Note 2: The last trading date of the Company was 8 February 2005.

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

As can be seen from the above table, we note that (i) the premium/discount to the closing share prices immediately prior to the release of the relevant announcement of the Comparables ranged from a premium of 19.4% to a discount of 52.8% (the “First Comparable Range”) with an average at a discount of 10.2% and the mean at a discount of 9.6%; (ii) the premium/discounts to the average closing share prices for the last ten trading days immediately prior to the release of the relevant announcement of the Comparables ranged from a premium of 26.98% to a discount of 50.59% (the “Second Comparable Range”) with an average at a discount of 6.4% and the mean at a discount of 6.5%; and (iii) the premium/discounts to the latest consolidated net assets per share of the Comparables ranged from a premium of 424.3% to a discount of 91.5% (the “Third Comparable Range”) with an average at a premium of 78.4% and the mean at a discount of 1.0%.

The Subscription Price, being a discount of approximately 72.4% to the closing price of HK\$0.325 per Share as quoted on the Stock Exchange on the Last Trading Day, is far from the First Comparable Range in term of average, mean and full range.

The Subscription Price, being a discount of approximately 69.5% to the average closing price of HK\$0.2945 per Share as quoted on the Stock Exchange over the last ten trading days up to and including the Last Trading Day, is far from the Second Comparable Range in term of average, mean and full range.

The Subscription Price, being a premium of approximately 52.4% to the Group’s unaudited net asset value of HK\$0.047 per Share as at 31 December 2005, the latest consolidated net assets per Share, is within the Third Comparable Range and is lower than the average at a premium of 78.4% but higher than the mean at a discount of 1.0%.

The Subscription Price, being far from the full range of the First Comparable Range and the Second Comparable Range of the Comparables, seems in its own to be not fair and reasonable as the Independent Shareholders are concerned. However, having taken in account of the situation that:

1. the Group is in financial difficulties;
2. the Subscription, for the time being, is the only feasible proposal for the Company;
3. the Subscription Price being a premium of approximately 52.4% to the Group’s unaudited net asset value is within the Third Comparable Range; and
4. it is reasonable for the Company to offer a higher discount as an incentive to the Subscriber since the trading of the Shares has been suspended for over one year.

We are of the view that the Subscription Price, is fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

5. Effects of the Subscription

(a) *Indebtedness and net assets*

Assuming that the Company is to apply the net proceeds from the Subscription of approximately HK\$7 million to repay the indebtedness of the Group, the indebtedness of the Group will be decreased by approximately HK\$7 million.

As shown in the section headed “Statement of the unaudited pro forma consolidated net tangible assets of the Group” in Appendix I to the Circular, the audited consolidated net tangible assets of the Group of approximately HK\$1.15 million as at 30 June 2005 will be increased by HK\$7 million to approximately HK\$8.15 million after the Subscription.

(b) *Working capital, cash flow and gearing position*

As the net proceeds from the Subscription will be used to repay the Group’s indebtedness, the working capital and the gearing position of the Group will be improved. However, the Subscription will not have any impact on the net cash flow of the Group and hence, though improving the overall financial position of the Group, will not strengthen the cash position of the Group after loan repayment.

(c) *Dilution of the Shareholders’ interests in the Company*

The 89,142,857 Subscription Shares represents approximately 185.7% of the existing issued share capital of the Company and approximately 65.0% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

The following table illustrates the shareholding structure of the Company prior to and immediately following Completion, based on the number of issued Shares as at the Latest Practicable Date:

	As at the date of the Latest Practicable Date		After Completion of the Subscription	
	<i>Shares</i>	<i>approximate %</i>	<i>New Shares</i>	<i>approximate %</i>
The Subscriber and parties acting in concert (as defined in the Takeovers Code)	–	–	89,142,857	65.0
Advance Elite Holdings Limited (<i>Note 1</i>)	8,500,000	17.7	8,500,000	6.2
Deng Chi Yuan (<i>Note 2</i>)	4,830,000	10.1	4,830,000	3.5
Public	34,670,000	72.2	34,670,000	25.3
Total	<u>48,000,000</u>	<u>100.0</u>	<u>137,142,857</u>	<u>100.0</u>

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

Notes:

1. Advance Elite Holdings Limited is a wholly-owned subsidiary of Oceanwide. Mr. Lau and Ms. Chan Sui Kuen, the spouse of Mr. Lau, are beneficial shareholders of approximately 28.75% and 12.08% respectively of the issued share capital of Oceanwide. The remaining issued share capital of Oceanwide is owned as to approximately 20.83% by Mr. Paul Lan, approximately 21.67% by Ms. Cheung Sze Wing and approximately 16.67% by CITIC Group which is wholly and beneficially owned by the State Assets Committee. Save for Ms. Chan Sui Kuen is the spouse of Mr. Lau, the shareholders of Oceanwide are independent and not connected with each other.
2. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Mr. Deng Chi Yuan is not related to any connected person to the Company as at the Latest Practicable Date, and his holding of about 3.5% of the issued share capital of the Company after Completion would be regarded as public float.

Immediately upon Completion, the Subscriber will become the controlling Shareholder holding approximately 65.0% of the issued share capital of the Company as enlarged by the allotment and issue of Subscription Shares and the shareholding of the public Shareholders in the Company will be reduced from approximately 72.2% to approximately 28.8%.

(d) Conclusion

We noted that the Group had incurred losses for each of the last three financial years and has been operating under difficult market conditions. Under such circumstances, the Directors expect that it is difficult to substantially improve the trading results of the Group's existing business in the short run. Based on the existing working capital position of the Group and the level of cash flow generated from the Group's existing business, we understand from the Directors that the Group might have to raise additional funds in order to support the continuous operation of its existing business in the near future. We are of the opinion that so far as the Independent Shareholders are concerned, the Subscription would be in their interests as the potential financial benefits arising from the Subscription of improving the overall financial position of the Group and the reduction of risk of being demanded for immediately repayment of the indebtedness from the lenders outweigh the shareholding dilution effect arises thereunder. In view of current financial situation of the Company and currently the Subscription being the only feasible proposal for the Company, we consider that despite the significant discounts to the prevailing market price, the Subscription Price is fair and reasonable to the Independent Shareholders and the Subscription is in the interests of the Company and the Independent Shareholders as a whole and the shareholding dilution effect arising therefrom to be acceptable as far as the Independent Shareholders are concerned.

6. Future Intention of the Subscriber

(a) Business

The Subscriber currently intends to continue with the investment policy of the Company to invest in listed and unlisted companies established and/or doing business in Hong Kong and other parts of the PRC. Effective from the Completion, the Subscriber will appoint Mr. Simon Wong as executive Director. Mr. Simon Wong is the partner of a venture capital firm and he is responsible for deal sourcing, investment decisions making on behalf of third

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

party investors and conducting due diligence works. Mr. Simon Wong had also been a director of a company mainly engaged in asset management and advising in securities and corporate finance, during the period from January 1990 to December 2005. He had been responsible for management of investments on behalf of third party investors. Mr. Simon Wong also sits on the boards of three Hong Kong listed companies. He has years of experience in the capital investment market including professional management of investments on behalf of third parties investors. Mr. Simon Wong served as the Chairman of Hong Kong Venture Capital And Private Equity Association and the Vice Chairman of The Hong Kong Electronic Industries Association. He is also the Vice President of Hong Kong Auto Parts Industry Association and the Honorary Treasurer of Hong Kong Critical Components Manufacturers Association. We are of the view that the investment experience of Mr. Simon Wong can improve the Group's future business development and operation, including the deal sourcing, investment decisions making, as well as conducting due diligence works and management of investments, which is in the interest of the Company and the Shareholders as a whole.

The Subscriber has undertaken to the Company that, upon completion of the Subscription Agreement, an amount of HK\$5 million will be provided to the Company by way of shareholder's loan from the Subscriber. The shareholder's loan shall be unsecured, with a term of three years and interest rate at 4.5% per annum. The Directors consider the shareholder's loan is on normal commercial terms. Of the HK\$5 million shareholder's loan, HK\$2 million will be used for future investment(s) of the Company and the remaining HK\$3 million will be for the Group's general working capital. As stated in the Company's annual report for the year ended 30 June 2005, the Company as at 30 June 2005 had audited total assets of approximately HK\$9.2 million, net assets of approximately HK\$1.1 million, and net current liabilities of approximately HK\$4.4 million.

Save for the shareholder's loan, the Subscriber and its associates have no current intention to inject/acquire assets/business into/from the Group. The Subscriber will review the investment portfolio of the Group and may consider to realise some of the current investment as well as to make investments for the Group subject to the market conditions and requirements set out in the Listing Rules.

We are of the view that the above shareholder's loan from the Subscriber reflects the commitment from the Subscriber on the long-term development and prospect of the Group and therefore is in the interest of the Company and the Shareholders as a whole.

(b) Maintaining the listing of the Company

It is the intention of the Subscriber to maintain the listing of the Company on the Stock Exchange. The Stock Exchange has stated that it will closely monitor the dealing in the Shares/New Shares on the Stock Exchange. The Stock Exchange has also stated that, if less than 25% of the issued New Shares are in public hands following Completion, or if the Stock Exchange believes that a false market exists or may exist in the trading of the New Shares or that there are insufficient New Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend dealings in the New Shares.

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

The Stock Exchange has stated that if the Company remains as a listed company, the Stock Exchange will closely monitor all future acquisitions or disposals of assets by the Company. Any acquisitions or disposals of assets by the Company will be subject to the provisions of the Listing Rules. Pursuant to the Listing Rules, the Stock Exchange has the discretion to require the Company to issue an announcement and/or a circular to its Shareholders irrespective of the size of any proposed transaction, particularly when such proposed transaction represents a departure from the principal activities of the Company. The Stock Exchange also has the power pursuant to the Listing Rules to aggregate a series of acquisitions of assets by the Company and any such acquisitions may result in the Company being treated as if it were a new listing applicant and subject to the requirements of new listing applications as set out in the Listing Rules.

It is our view that maintaining the listing of the Company on the Stock Exchange is in the interest of the Company and the Shareholders as a whole as it provides an established market for the Shareholders who may consider increasing or disposing of their shareholding interest in the Company in the future.

7. The Whitewash Waiver and the effect of approval for granting the Whitewash Waiver

Completion of the Subscription Agreement is conditional upon, among others, the Executive granting to the Subscriber and parties acting in concert with it (if any) a waiver of the obligation to make a mandatory general offer to the Shareholders in respect of the New Shares not already owned or agreed to be acquired by the Subscriber or any parties acting in concert with it (if any) as a result of the subscription of the Subscription Shares in accordance with the Note 1 of the Notes on dispensations from Rule 26 of the Takeovers Code.

The Subscriber has made an application to the Executive for the Whitewash Waiver and the Executive has agreed, subject to the approval by the Independent Shareholders on a vote taken by way of poll at the EGM, to waive any obligations to make a general offer which might result from the Subscription. In the event that the Whitewash Waiver is not granted by the Executive and/or approved by the Independent Shareholders, the Subscription Agreement will lapse and the Subscription will not proceed. The granting and approval of the Whitewash Waiver will, therefore, be necessary for the Group and all the Shareholders, including the Independent Shareholders, to take the opportunity to enjoy the financial benefits derived by the Company from the Subscription and the Whitewash Waiver which include, among other things (i) the increase in net assets and working capital of the Group; (ii) the enhancement of the equity base of the Group; (iii) the settlement of certain liabilities; (iv) the availability of working capital for the daily operation of the Group pursuant to the undertaking by the Subscriber for the provision of the HK\$5 million shareholder's loan upon completion of the Subscription Agreement; (v) the improvement of opportunity of debt financing; and (vi) the flexibility of future investments. Accordingly, we are of the view that the granting and approval of the Whitewash Waiver is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

RECOMMENDATION

Having considered the principal factors and reasons set out in this letter, in particular,

1. for the time being, among the Proposals, the Subscription is the only feasible proposal for the Company;
2. in light of the fact that Group has been facing continued financial and operational difficulties as reflected by its net losses, reducing net assets over the past few years, the Subscription will enhance the Group's financial position by reducing its indebtedness level, improving its working capital and net assets positions although the Subscription, if stand alone, cannot provide additional cash flow for the Group's business operations ;
3. the Subscription can relieve the pressure and reduce the risk of the Company of being demand for immediate repayment from the lenders;
4. the financial benefits derived from the Subscription in terms of the enhancement of the Group's overall financial position can outweigh the substantial dilution effect on the shareholding of the Independent Shareholders after the Subscription;
5. the Subscription would provide a strengthened base for the Group to build up its business operations after the Subscription that help the Group continuing to carry out its operations ; and
6. the appointment of Mr. Simon Wong as executive Director upon completion of the Subscription may improve the Group's future business development and operation, including the deal sourcing, investment decisions making, due diligence works and management of investments; and
7. the undertaking for the provision of the shareholder's loan of HK\$5 million from the Subscriber reflects the commitment from the Subscriber on the long-term development and prospect of the Group;

we are of the view that the Subscription is in the interest of the Company and the Shareholders as a whole and is fair and reasonable so far as the Independent Shareholders are concerned. We are also of the opinion that the granting of the Whitewash Waiver is in the interest of the Company and the Shareholders as a whole and is fair and reasonable so far as the Independent Shareholders are concerned, given that the Whitewash Waiver is a condition precedent for the Subscription. We, accordingly, advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM of the Company to approve the Whitewash Waiver.

Your faithfully,

For and on behalf of
Menlo Capital Limited
Michael Leung
Director

For and on behalf of
Veda Capital Limited
Hans Wong
Managing Director

I. SUMMARY OF FINANCIAL RESULTS FOR THE THREE YEARS ENDED 30 JUNE 2005

The financial information set out in this appendix has been extracted from the audited financial statements of the Group for each of the three years ended 30 June 2005. The auditors of the Company for the two years ended 30 June 2004 were Ernst & Young and the auditors of the Company for the year ended 30 June 2005 were CCIF CPA Limited.

Audited consolidated income statement

For the three years ended 30 June 2005

	<i>Note</i>	2005 <i>HK\$</i>	2004 <i>HK\$</i>	2003 <i>HK\$</i>
TURNOVER	5	–	–	3,503,172
Cost of trading securities sold		–	–	(3,613,242)
Realised loss on sale of trading securities		–	–	(110,070)
Other revenue and gains	5	–	201	8,924
Administrative expenses		(2,381,825)	(3,722,982)	(4,474,279)
Other operating expenses		(21,351)	(2,050,000)	(13,300,000)
LOSS FROM OPERATING ACTIVITIES	6	(2,403,176)	(5,772,781)	(17,875,425)
Finance costs	7	(149,779)	(327,699)	(281,149)
LOSS BEFORE TAXATION		(2,552,955)	(6,100,480)	(18,156,574)
Taxation	9	–	–	–
NET LOSS FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS	10	<u>(2,552,955)</u>	<u>(6,100,480)</u>	<u>(18,156,574)</u>
LOSS PER SHARE	11			
Basic		<u>5.3 cents</u>	<u>13.5 cents</u>	<u>45.4 cents</u>
Diluted		<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

There were no minority interests, extraordinary or exceptional items during the years ended 30 June 2003, 2004 and 2005 and no dividends were declared or paid during the years ended 30 June 2003, 2004 and 2005.

Audited consolidated balance sheet*As at 30 June 2005*

	<i>Note</i>	2005 <i>HK\$</i>	2004 <i>HK\$</i>	2003 <i>HK\$</i>
NON-CURRENT ASSETS				
Property, plant and equipment	12	106,208	82,540	177,480
Investment securities	13	9,000,000	9,000,000	10,000,000
Rental deposit		54,314	–	239,688
Deposit for an unlisted equity investment		–	–	5,000,000
		<u>9,160,522</u>	<u>9,082,540</u>	<u>15,417,168</u>
CURRENT ASSETS				
Prepayments, deposits and other receivables		72,500	72,500	4,600
Cash and bank balances		11,223	101,493	74,995
		<u>83,723</u>	<u>173,993</u>	<u>79,595</u>
CURRENT LIABILITIES				
Other loan	15	400,000	–	514,986
Other payables and accrued liabilities		1,456,846	925,538	3,046,250
Due to directors	16	2,685,596	–	586,499
		<u>4,532,442</u>	<u>925,538</u>	<u>4,147,735</u>
NET CURRENT LIABILITIES		<u>(4,448,719)</u>	<u>(751,545)</u>	<u>(4,068,140)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		4,711,803	8,330,995	11,349,028
NON-CURRENT LIABILITIES				
Due to a director	16	828,404	2,027,998	–
Due to a shareholder	17	2,734,401	2,601,044	–
		<u>3,562,805</u>	<u>4,629,042</u>	<u>–</u>
NET ASSETS		<u><u>1,148,998</u></u>	<u><u>3,701,953</u></u>	<u><u>11,349,028</u></u>
CAPITAL AND RESERVES				
Issued capital	18	4,800,000	4,800,000	4,000,000
Reserves		(3,651,002)	(1,098,047)	7,349,028
		<u><u>1,148,998</u></u>	<u><u>3,701,953</u></u>	<u><u>11,349,028</u></u>

II. THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

The following information has been extracted from the annual report of the Company for the year ended 30 June 2005.

Consolidated statement of changes in equity

For the year ended 30 June 2005

	Notes	Issued share capital HK\$	Share premium account HK\$	Investment revaluation reserve HK\$	Accumulated losses HK\$	Total HK\$
At 30 June 2003		4,000,000	30,944,887*	–	(23,595,859)*	11,349,028
Issue of shares	18	800,000	1,200,000	–	–	2,000,000
Share issue expenses	18	–	(46,595)	–	–	(46,595)
Deficit on revaluation		–	–	(6,000,000)	–	(6,000,000)
Transfer to income statement on impairment	6	–	–	2,500,000	–	2,500,000
Loss for the year		–	–	–	(6,100,480)	(6,100,480)
At 30 June 2004 and 1 July 2004		4,800,000	32,098,292*	(3,500,000)*	(29,696,339)*	3,701,953
Loss for the year		–	–	–	(2,552,955)	(2,552,955)
At 30 June 2005		<u>4,800,000</u>	<u>32,098,292*</u>	<u>(3,500,000)</u>	<u>(32,249,294)*</u>	<u>(1,148,998)</u>

* These reserve accounts comprise the consolidated debit reserve of HK\$3,651,002 (2004: a debit reserve of HK\$1,098,047) in the consolidated balance sheet.

Consolidated cash flow statement*For the year ended 30 June 2005*

	<i>Note</i>	2005 <i>HK\$</i>	2004 <i>HK\$</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(2,552,955)	(6,100,480)
Adjustments for:			
Finance costs	7	149,779	327,699
Interest income	5	–	(1)
Gain on disposal of subsidiaries	5	–	(200)
Loss on disposal of property, plant and equipment	6	21,351	–
Depreciation	6	17,458	98,054
Impairment of investment securities	6	–	2,500,000
Gain on disposal of investment securities	6	–	(450,000)
		<hr/>	<hr/>
Operating loss before working capital changes		(2,364,367)	(3,624,928)
Increase in a rental deposit		(54,314)	–
Increase in prepayments, deposits and other receivables		–	(67,900)
Increase in other payables and accrued liabilities		371,329	509,850
Increase in amounts due to directors		486,002	13,012
		<hr/>	<hr/>
Cash used in operations		(1,561,150)	(3,169,966)
Interest paid		–	(258,822)
		<hr/>	<hr/>
Net cash outflow from operating activities		(1,561,150)	(3,428,788)
		<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		–	1
Purchases of property, plant and equipment	12	(113,801)	(3,114)
Proceeds from disposal of property, plant and equipment		51,324	–
Proceeds from disposal of subsidiaries	20	–	200
Proceeds from disposal of investment securities		–	450,000
		<hr/>	<hr/>
Net cash outflow from investing activities		(62,477)	447,087
		<hr/>	<hr/>

Consolidated cash flow statement *(continued)**For the year ended 30 June 2005*

	<i>Note</i>	2005 <i>HK\$</i>	2004 <i>HK\$</i>
CASH FLOWS FROM FINANCING			
ACTIVITIES			
Proceeds from issue of shares	18	–	2,000,000
Share issue expenses	18	–	(46,595)
New other loan		400,000	–
Repayment of other loans		–	(3,046,250)
Advance of loan from a director		1,000,000	1,500,000
Advance of loan from a shareholder		–	2,500,000
Increase in amount due to a shareholder		133,357	101,044
		<hr/>	<hr/>
Net cash inflow from financing activities		1,533,357	3,008,199
		<hr/>	<hr/>
NET (DECREASE)/INCREASE IN CASH AND			
CASH EQUIVALENTS			
		(90,270)	26,498
Cash and cash equivalents at beginning of year		101,493	74,995
		<hr/>	<hr/>
CASH AND CASH EQUIVALENTS			
AT END OF YEAR			
		11,223	101,493
		<hr/> <hr/>	<hr/> <hr/>
ANALYSIS OF BALANCES OF CASH AND			
CASH EQUIVALENTS			
Cash and bank balances		11,223	101,493
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Notes to the Financial Statements*For the year ended 30 June 2005***1. IMPACT OF RECENTLY ISSUED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)**

The Hong Kong Institute of Certified Public Accountants has issued a number of new Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards, herein collectively referred to as the new HKFRSs, which are generally effective for accounting periods beginning on or after 1 July 2005. The company has not early adopted these new HKFRSs in the financial statements for the year ended 30 June 2005. The company has already commenced assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

2. GOING CONCERN CONCEPT

The Group had a net loss attributable to shareholders of HK\$2,552,955 for the year ended 30 June 2005 (2004: loss of HK\$6,100,480). The Group and the Company had consolidated net current liabilities and net current liabilities of HK\$4,448,719 (2004: net current liabilities -Group – HK\$751,545 and Company – HK\$751,545) and consolidated accumulated losses of HK\$32,249,294 (2004: HK\$29,696,339) and accumulated losses of HK\$35,749,294 (2004: HK\$33,196,339) at 30 June 2005. During the year, the net asset value of the Group further deteriorated, which was largely due to the operating expenses incurred during the year.

The financial statements have been prepared on the basis that the Company and the Group will continue to operate as a going concern as the directors of the Company are of the opinion that the Company and the Group are able to continue as a going concern and to meet their obligations as and when they fall due having regard to the followings:

- (i) a shareholder of the Company agreed to waive the debt of HK\$2,765,838 (which included the amount of HK\$2,734,401 due by the Company as at 30 June 2005) due by the Company on 30 November 2005 and confirmed to provide the Company with continuous financial support to meet its liabilities as and when they fall due; and
- (ii) the Group intends to raise additional capital to meet its working capital requirements in the future.

The directors believe the Group and the Company will have sufficient cash resources to satisfy its future working capital and other financing requirements. Accordingly, these financial statements have been prepared on a going concern basis and do not include any adjustments that would be required should the Group and the Company fail to continue as a going concern.

If the going concern basis were not be appropriate, adjustments would have to be made to restate the values of the Group’s and the Company’s assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Basis of preparation**

These financial statements have been prepared in accordance with the HKFRSs and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of equity investments, as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 30 June 2005. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company’s income statement to the extent of dividends received and receivable. The Company’s interests in subsidiaries are stated at cost less any impairment losses.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the income statement in the period in which it arises.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the income statement in the period in which it arises.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after assets have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of that asset.

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Furniture and fixtures	25%
Office equipment	33 $\frac{1}{3}$ %

The gain or loss on disposal or retirement of an asset recognised in the income statement, is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Leased assets

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Investment securities

Investment securities are non-trading investments in listed and unlisted equity securities intended to be held on a long term basis.

Listed securities are stated at their fair values on the basis of their quoted market prices at the balance sheet date, on an individual investment basis. Unlisted securities are stated at their estimated fair values on an individual basis. These are determined by the directors having regard to, inter alia, the prices of the most recent reported sales or purchases or projected cash flows of the securities or comparison of price/revenue ratios, price/earnings ratios and dividend yields of the securities with those of similar listed securities, with allowance made for the lower liquidity of the unlisted securities.

The gains or losses arising from changes in the fair value of an investment security are dealt with as movements in the investment revaluation reserve, until the security is sold, collected, or otherwise disposed of, or until the security is determined to be impaired, when the cumulative gain or loss derived from the security recognised in the investment revaluation reserve, together with the amount of any further impairment, is charged to the income statement in the period in which the impairment arises.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement or in equity if it relates to items that are recognised in the same or a different period, directly in equity.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences:

- except where the deferred tax liability arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax assets and unused tax losses can be utilised:

- except where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) income from securities trading, when the transactions are completed; and
- (b) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

Employee benefits*Paid leave carried forward*

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Pension scheme and other retirement benefits

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance, for all of its employees. Contributions are made based on a percentage of the employees’ basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

Share option scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. The financial impact of share options granted under the share option scheme is not recorded in the Company’s or the Group’s balance sheet until such time as the options are exercised, and no charge is recorded in the income statement or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

Foreign currencies

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the income statement.

On consolidation, the financial statements of overseas subsidiaries are translated into Hong Kong dollars using the net investment method. The income statements of overseas subsidiaries are translated into Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

4. SEGMENT INFORMATION

The Group is principally engaged in the investment in listed and unlisted companies. Accordingly, no analysis of business segment is provided. No geographical analysis is presented as none of the Group’s turnover, results, assets and liabilities are attributable to markets outside the People’s Republic of China (including Hong Kong).

5. TURNOVER, OTHER REVENUE AND GAINS

The Group is principally engaged in the investment in listed and unlisted companies. An analysis of turnover, other revenue and gains is as follows:

	<i>Note</i>	2005 <i>HK\$</i>	2004 <i>HK\$</i>
Turnover			
Proceeds from sale of trading securities		–	–
		<u>–</u>	<u>–</u>
Other revenue and gains			
Interest income		–	1
Gain on disposal of subsidiaries	20	–	200
		<u>–</u>	<u>201</u>
		<u>–</u>	<u>201</u>

6. LOSS FROM OPERATING ACTIVITIES

The Group's loss from operating activities is arrived at after charging:

	<i>Note</i>	2005 <i>HK\$</i>	2004 <i>HK\$</i>
Depreciation	12	17,458	98,054
Lease payments under operating leases on land and buildings		34,544	826,167
Auditors' remuneration		130,000	150,000
Staff costs (excluding directors' remuneration, see note 9):			
Wages and salaries		329,399	221,250
Pension scheme contributions*		17,013	10,875
		<u>346,412</u>	<u>232,125</u>
Loss on disposal of property, plant and equipment		21,351	–
Gain on disposal of investment securities**		–	(450,000)
Impairment of investment securities**		–	2,500,000
		<u>–</u>	<u>2,500,000</u>

* At 30 June 2005, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2004: Nil).

** Included in "Other operating expenses" on the face of the consolidated income statement.

7. FINANCE COSTS

	2005 <i>HK\$</i>	2004 <i>HK\$</i>
Interest expense on:		
Other loans	19,703	258,822
Advances from directors	53,020	12,576
Advance from a shareholder	77,056	56,301
	<u>149,779</u>	<u>327,699</u>

8. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

(a) Directors

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance, is as follows:

	Group	
	2005	2004
	<i>HK\$</i>	<i>HK\$</i>
Fees	75,000	75,000
Other emoluments:		
Basic salaries, housing allowances, other allowances and benefits in kind	900,000	800,000
Pension scheme contributions	10,000	12,000
	<u>910,000</u>	<u>812,000</u>
	<u>985,000</u>	<u>887,000</u>

The directors' fees disclosed above include HK\$30,000 (2004: HK\$45,000) paid to the non-executive and independent non-executive directors.

The remuneration of each of the directors fell within the remuneration band of Nil to HK\$1,000,000.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

(b) Five highest paid individuals

The five highest paid individuals during the year included two (2004: two) directors, details of whose remuneration are set out in note 9(a) above. Details of the remuneration of the remaining three (2004: three) non-director, highest paid individuals for the year are as follows:

	Group	
	2005	2004
	<i>HK\$</i>	<i>HK\$</i>
Basic salaries, housing allowances, other allowances and benefits in kind	329,399	183,650
Pension scheme contributions	17,013	8,995
	<u>346,412</u>	<u>192,645</u>

The remuneration of each of these individuals fell within the remuneration band of Nil to HK\$1,000,000.

9. TAXATION

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2004: Nil).

A reconciliation of the tax expense applicable to loss before tax using the statutory rate to the tax at the effective tax rate is as follows:

	2005		Group		2004	
	<i>HK\$</i>	%	<i>HK\$</i>	%	<i>HK\$</i>	%
Loss before taxation	<u>(2,552,955)</u>		<u>(6,100,480)</u>			
Tax at the statutory tax rate of 17.5% (2004: 17.5%)	(446,767)	17.5	(1,067,584)	17.5		
Income not subject to tax	–		(78,785)	0.9		
Expenses not deductible for tax	–		1,132,316	(18.5)		
Deferred tax liabilities not recognised	(1,866)	–	14,053	(0.1)		
Tax losses carried forward not recognised as deferred tax asset	<u>448,633</u>	<u>(17.5)</u>				
Tax at effective rate	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>		

The Group has tax losses arising in Hong Kong of HK\$9,459,384 (2004: HK\$9,459,384) that are available indefinitely for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as the Group has been loss-making for some time.

10. NET LOSS FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS

The net loss for the year attributable to shareholders for the year ended 30 June 2005 dealt with in the financial statements of the Company, was HK\$2,552,955 (2004: HK\$9,600,480).

11. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss for the year attributable to shareholders of HK\$2,552,955 (2004: HK\$6,100,480) and the weighted average of 48,000,000 (2004: 45,063,014) ordinary shares in issue during the year.

Diluted loss per share amounts for the years ended 30 June 2005 and 2004 have not been disclosed as no diluting events existed during these two years.

12. PROPERTY, PLANT AND EQUIPMENT

Group and Company

	Furniture and fixtures <i>HK\$</i>	Office equipment <i>HK\$</i>	Total <i>HK\$</i>
Cost:			
At beginning of year	113,707	215,548	329,255
Additions	90,745	23,056	113,801
Disposals	(113,707)	(215,548)	(329,255)
	<u>90,745</u>	<u>23,056</u>	<u>113,801</u>
At 30 June 2005	<u>90,745</u>	<u>23,056</u>	<u>113,801</u>
Accumulated depreciation:			
At beginning of year	62,211	184,504	246,715
Charge for the year	10,409	7,049	17,458
Disposals	(66,948)	(189,632)	(256,580)
	<u>5,672</u>	<u>1,921</u>	<u>7,593</u>
At 30 June 2005	<u>5,672</u>	<u>1,921</u>	<u>7,593</u>
Net book value:			
At 30 June 2005	<u>85,073</u>	<u>21,135</u>	<u>106,208</u>
At 30 June 2004	<u>51,496</u>	<u>31,044</u>	<u>82,540</u>

13. INVESTMENT SECURITIES

	Group 2005 <i>HK\$</i>	2004 <i>HK\$</i>
Unlisted equity securities, at fair value	<u>9,000,000</u>	<u>9,000,000</u>

As at 30 June 2005, the carrying amounts and further details of interests in the investments were as follows:

Name	Place of incorporation	Particulars of equity interests held	Investment value		Interest held
			Acquisition cost <i>HK\$</i>	At fair value <i>HK\$</i>	
China Link Investment Group Limited ("China Link") (note i)	British Virgin Islands ("BVI")	Ordinary shares of US\$1.00 each	5,000,000	4,000,000	22%
Zhongshan Chinese Standard Building Materials Company Limited (note ii)	The PRC capital of RMB525,000	Registered	5,000,000	2,500,000	1.97%
Sunkock Development Limited ("Sunkock") (note iii)	Hong Kong shares of HK\$1.00 each	Ordinary	5,000,000	2,500,000	20%

Notes:

- (i) China Link is principally engaged in the development of a website providing on-line professional consultancy services in the PRC. China Link is not accounted for as an associate as, in the opinion of the directors, the Group has no significant influence over its financial and operating decisions. In February 2004, the investee company of China Link became an overseas listed company through a reverse take-over exercise.

- (ii) Zhongshan Chinese Standard Building Materials Company Limited is principally engaged in the production and distribution of window frames in the PRC.
- (iii) Sunkock is principally engaged in the development of medical products in the PRC.

14. INTERESTS IN SUBSIDIARIES

	2005 <i>HK\$</i>	2004 <i>HK\$</i>
Unlisted shares, at cost	32	32
Due from subsidiaries	18,499,968	18,499,968
	<hr/>	<hr/>
Provision for impairment	18,500,000 (9,500,000)	18,500,000 (9,500,000)
	<hr/>	<hr/>
	<u>9,000,000</u>	<u>9,000,000</u>

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital	Percentage of equity directly attributable to the Company	Principal activities
Double Lucky Investment Co., Ltd.	BVI	US\$1.00	100	Investment holding
Sun Talent Investment Co., Ltd.	BVI	US\$1.00	100	Investment holding
Market Place Investment Co., Ltd.	BVI	US\$1.00	100	Investment holding
Glorison Limited	BVI	US\$1.00	100	Investment holding

15. OTHER LOAN

Included in other loan is a loan of HK\$400,000 from an independent third party, is unsecured, interest-free and with no fixed repayment term.

16. DUE TO DIRECTORS

Except for amounts of HK\$1,500,000 and HK\$1,000,000 (2004: HK\$1,500,000) due to two directors which bear interest at the rate of 3% and 2.4% per annum, respectively, the amounts due to directors are unsecured, interest-free and repayable within one year except for HK\$828,404 is not repayable within the next twelve months.

17. DUE TO A SHAREHOLDER

Except for amount of HK\$2,500,000 (2004: HK\$2,500,000) due to the shareholder which bears interest at the rate of 3% per annum, the amount due is unsecured, interest-free and not repayable within one year. The amount due totalling HK\$2,734,401, together with the additional interest of HK\$31,437 after the balance sheet date was subsequently waived by the shareholder on 30 November 2005.

18. ISSUED CAPITAL

	2005 HK\$	2004 HK\$
<i>Authorised:</i>		
200,000,000 ordinary shares of HK\$0.10 each	<u>20,000,000</u>	<u>20,000,000</u>
<i>Issued and fully paid:</i>		
48,000,000 ordinary shares of HK\$0.10 each	<u>4,800,000</u>	<u>4,800,000</u>

On 12 November 2003, 8,000,000 ordinary shares of HK\$0.10 each were issued to independent investors at a price of HK\$0.25 per share. The gross proceeds of HK\$2,000,000, before expenses, from the issue of shares were raised for the purpose of partly providing the necessary funding for the repayment of other loans of the Group and partly providing general working capital for the Group. The market price of the Company's shares at their placement date was HK\$0.3 per share.

A summary of the transaction during the year with reference to the above movement in the Company's issued ordinary share capital is as follows:

	Number of shares in issue	Issued share capital HK\$	Share premium account HK\$	Total HK\$
At 1 July 2003	40,000,000	4,000,000	30,944,887	34,944,887
Issue of shares	8,000,000	800,000	1,200,000	2,000,000
Share issue expenses	–	–	(46,595)	(46,595)
At 30 June 2004	<u>48,000,000</u>	<u>4,800,000</u>	<u>32,098,292</u>	<u>36,898,292</u>
At 30 June 2005	<u>48,000,000</u>	<u>4,800,000</u>	<u>32,098,292</u>	<u>36,898,292</u>

19. RESERVES

(a) Group

The movements in the Group's reserves for the current and prior years are presented in the consolidated statement of changes in equity which is set out in page 14 of the annual report of the Company for the year ended 30 June 2005.

(b) Company

	Share premium account HK\$	Accumulated losses HK\$	Total HK\$
At 1 July 2003	30,944,887	(23,595,859)	7,349,028
Issue of shares	1,200,000	–	1,200,000
Share issue expenses	(46,595)	–	(46,595)
Loss for the year	–	(9,600,480)	(9,600,480)
At 30 June 2004 and 1 July 2004	32,098,292	(33,196,339)	(1,098,047)
Loss for the year	–	(2,552,955)	(2,552,955)
At 30 June 2005	<u>32,098,292</u>	<u>(35,749,294)</u>	<u>(3,651,002)</u>

Under the Companies Law (2000 Revision) of the Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the date on which any dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

Since the accumulated losses of the Company exceeded the amount standing to the credit of its share premium account as at 30 June 2005. At 30 June 2005 and 2004, the Company did not have any reserves available for distribution.

20. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Disposals of subsidiaries

	2005 <i>HK\$</i>	2004 <i>HK\$</i>
Net assets disposed of:		
Investment securities	–	3,500,000
Provision for impairment	–	(3,500,000)
Rental deposit	–	239,688
Accrued expenses	–	(239,688)
	<u>–</u>	<u>–</u>
Gain on disposal of subsidiaries	–	200
	<u>–</u>	<u>200</u>
Satisfied by:		
Cash	–	200
	<u>–</u>	<u>200</u>

An analysis of the net inflow of cash and cash equivalents in respect of the disposals of subsidiaries is as follows:

	2005 <i>HK\$</i>	2004 <i>HK\$</i>
Cash consideration	–	200
Cash and bank balances disposed of	–	–
	<u>–</u>	<u>–</u>
Net inflow of cash and cash equivalents in respect of the disposals of subsidiaries	<u>–</u>	<u>200</u>

The results of subsidiaries disposed of in the previous year had no significant impact on the Group's consolidated turnover or loss after tax.

III. AUDITORS' OPINION

The auditors' reports for each of the three years ended 30 June 2005 have no qualification, but the auditors' reports for each of the two years ended 30 June 2005 are prepared on the going concern basis dependent upon continued financial support from Oceanwide. The following are the auditors' reports extracted from the annual reports of the Company for the year ended 30 June 2004 and 2005:

- (a) Set out below is the auditors' report extracted from the annual report of the Company for the year ended 30 June 2004.

To the members

Prime Investments Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 17 to 40 in the annual report of the Company for the year ended 30 June 2004 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

FUNDAMENTAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the basis of preparation. As further explained in note 3, the financial statements, which report net current liabilities of HK\$751,545 of the Company and of the Group, respectively, at 30 June 2004, have been prepared on the going concern basis, the validity of which is dependent upon the continued financial support from a shareholder and a related company of the Group. The financial statements do not include any adjustments that would result from failure to obtain such continued financial support. We consider that appropriate disclosures and estimates have been made in the financial statements and our opinion is not qualified in this respect.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2004 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young

Certified Public Accountants

Hong Kong

13 December 2004

- (b) Set out below is the auditors' report extracted from the annual report of the Company for the year ended 30 June 2005.

To the members

Prime Investments Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 12 to 32 in the annual report of the Company for the year ended 30 June 2005 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

FUNDAMENTAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the basis of preparation. As further explained in note 3 to the financial statements, which report net current liabilities of HK\$4,448,719 of the Company and the Group, respectively, at 30 June 2005, have been prepared on the going concern basis, the validity of which is dependent upon the continued financial support from a shareholder of the Company. The financial statements do not include any adjustments that would result from the failure to obtain the continued financial support from the shareholder of the Company. We consider that appropriate disclosures and estimates have been made in the financial statements and our opinion is not qualified in this respect.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2005 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

CCIF CPA Limited

Certified Public Accountants

Hong Kong, 12 December 2005

Choi Man On

Practising Certificate Number P02410

IV. STATEMENT OF UNAUDITED PRO FORMA CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

(a) The statement of unaudited pro forma consolidated net tangible assets of the Group

The following is an unaudited pro forma consolidated net tangible assets statement of the Group which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Subscription on the unaudited consolidated net tangible assets of the Group as at 30 June 2005 as if they had taken place on 30 June 2005. This statement of unaudited pro forma consolidated net tangible assets has been prepared for illustrative purpose only and, because of its nature, it may not give a true picture of the financial position of the Group following the completion of the Subscription.

The following statement of unaudited pro forma consolidated net tangible assets of the Group is prepared based on the published audited report of the Group for the year ended 30 June 2005 as shown in Appendix I to this circular and after adjustments made to exclude intangible assets as described in note 1 below, and is adjusted as follows:

	As at 30 June 2005	Estimated net proceeds (Note 1)	Unaudited pro forma consolidated net tangible assets of the Group
	HK\$	HK\$	HK\$
Audited consolidated net tangible assets of the Group	1,148,998	7,000,000	8,148,998
Audited consolidated net tangible asset value per Share as at 30 June 2005 (Note 2)			0.02
Unaudited pro-forma consolidated net tangible asset value per Share immediately following the Subscription (based on the Subscription Price of HK\$0.0897 per Share) (Note 3)			0.06

Notes:

- The estimated net proceeds from the Subscription are based on the subscription of 89,142,857 Subscription Shares at a price of HK\$0.0897 per Subscription Share after deducting the related expenses (such as professional fees and printing costs) of approximately HK\$1 million.
- The unaudited pro forma consolidated net tangible assets per Share as at 30 June 2005 is calculated on the basis that 48,000,000 Shares are in issue.
- The unaudited pro forma consolidated net tangible assets per Share is arrived at after the adjustment referred to in the preceding paragraph and on the basis that: (i) 48,000,000 Shares are issued and 89,142,857 Subscription Shares are to be issued pursuant to the completion of the Subscription.

- (b) Report on the statement of unaudited pro forma consolidated net tangible assets of the Group

**CCIF****CCIF CPA LIMITED**

37/F Hennessy Centre
500 Hennessy Road
Causeway Bay Hong Kong
www.ccifcpa.com.hk

10 March 2006

The Board of Directors
Prime Investments Holdings Limited

Dear Sirs,

We report on the statement of unaudited pro forma consolidated net tangible assets (the “Pro Forma Financial Information”) of Prime Investments Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) set out in Appendix I of the Company’s circular dated 10 March 2006 in connection with the proposed issue of 89,142,857 Subscription Shares (the “Proposed Issue”) to the subscriber, which has been prepared by the directors of the Company for illustrative purpose only, to provide information about how the Proposed Issue might have affected the relevant financial information presented.

Responsibilities

It is the responsibility solely of the directors of the Company to prepare the Pro Forma Financial Information in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

It is our responsibility to form an opinion, as required by Rule 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 “Reporting on Pro Forma Financial Information pursuant to the Listing Rules” issued by the Auditing Practices Board in the United Kingdom, where applicable. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the directors of the Company.

Our work does not constitute an audit or review in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants, and accordingly, we do not express any such audit or review assurance on the Pro Forma Financial Information.

The Pro Forma Financial Information has been prepared on the basis set out in Appendix I to the Circular for illustrative purposes only and because of its nature, it may not give an indicative of the financial position of the Group as at 30 June 2005 or at any future date.

Opinion

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis as stated;
- (b) such basis is consistent with the accounting policies of the Group, and
- (c) the adjustments are appropriate for the purposes of the Pro Forma Financial Information as disclosed pursuant to Rule 4.29(1) of the Listing Rules.

Yours faithfully,

CCIF CPA Limited
Certified Public Accountants
Hong Kong

Choi Man On
Practising Certificate Number P02410

V. INDEBTEDNESS**Borrowings**

As at the close of business on 31 January 2006 (being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular), the Group had total outstanding borrowings of approximately HK\$4.77 million, comprising loan from directors of approximately HK\$1.61 million, loan from a former director of approximately HK\$1.56 million, loan from the Subscriber and its ultimate beneficial owner approximately HK\$1.2 million and loan from independent third party approximately HK\$0.4 million. The outstanding borrowings of approximately HK\$2.82 million which are repayable within one year and the remaining amount of loan is repayable within one to two years.

Disclaimer

Save as aforesaid and apart from intra-group liabilities, none of the companies of the Group had any loan capital issued and outstanding or agreed to be issued, any bank overdrafts, loans or other similar indebtedness, liabilities under acceptance or acceptable credits, debentures, mortgages, charges, obligations under finance leases or hire purchases, guarantees of other material contingent liabilities as at the close of business on 31 January 2006.

No material change

The Directors have confirmed that as at the Latest Practicable Date, save as disclosed above, there had not been any material change in the indebtedness and contingent liabilities of the Group since 31 January 2006.

VI. MATERIAL CHANGE

On 30 November 2005, a deed of waiver was made between the Company and Oceanwide, pursuant to which, Oceanwide agreed to waive the debt of HK\$2,765,838 (including the amount of HK\$2,734,401 brought forward from 30 June 2005) due by the Company. Save as disclosed above, as at the Latest Practicable Date, the Directors are not aware of any material change in the financial or trading position or outlook of the Group since 30 June 2005, the date to which the latest audited financial statements of the Company were made up.

The principal statute in the Cayman Islands governing the operation of the Company is The Companies Law, Cap. 22 (2003 Revision) of the Cayman Islands (the “Companies Law”). Upon continuation of the Company in Bermuda, the governing statute will be The Companies Act 1981 of Bermuda (as amended) (the “Companies Act”). In general, many of the provisions of both the Companies Law and the Companies Act have been taken from the Companies Act, 1948 of the United Kingdom although their application has, in certain instances, been adapted to conform to general concepts of company law in the Cayman Islands and in Bermuda, respectively. In some circumstances, however, certain statutory provisions of the Companies Law and the Companies Act differ quite substantially from their equivalent in the United Kingdom Companies Act. In Bermuda, certain aspects of Canadian company law have been included in the Companies Act. Generally, principles of English company law apply in Cayman Islands and Cayman courts will look to English decisions for guidance in interpreting these principles, subject to the statutory differences. Similarly, in Bermuda, the courts treat English common law relating to companies as of strong persuasive authority.

The following is a summary of the differences of certain provisions of the Companies Law and the Companies Act.

	CAYMAN ISLANDS	BERMUDA
Directors, officers and representatives	<p>The minimum number of directors of a Cayman company is one. There is no requirement that any of the directors be resident in Cayman. Corporate directors are permitted.</p> <p>An exempted company may in its articles provide that a director must hold at least one share in the company.</p> <p>An exempted company must have such officers as are prescribed by its articles.</p>	<p>The minimum number of directors of a company is two. An exempted company must satisfy one of certain Bermuda residency requirements, namely: appoint (i) two directors, or (ii) a secretary and a director, or (iii) a secretary and a resident representative, each of whom must be individuals ordinarily resident in Bermuda. A company whose shares are listed on an appointed Stock exchange such as the Stock Exchange may appoint a resident representative only, whether a corporation or an individual. Corporate directors are not permitted.</p> <p>An exempted company must appoint two directors to the offices of president and vice president, or chairman and deputy chairman, respectively.</p>

	CAYMAN ISLANDS	BERMUDA
Constitutional documents	<p>The constitutional documents of an exempted company are its memorandum and articles of association.</p> <p>An exempted company may register articles. The articles only bind the company and its members when registered. The articles of association provide for the regulation of a company's affairs and duties as between the company, the shareholders and the directors.</p> <p>The articles of association are not generally available for inspection by the public. Where articles have been registered, a copy of every "special resolution" must also be filed with the Registrar in the Cayman Islands either annexed to or embodied in the articles.</p>	<p>The constitutional documents of an exempted company are its memorandum of association and bye-laws.</p> <p>The memorandum of association is filed with the Registrar in Bermuda and is available for public inspection. The bye-laws will generally prescribe the rights and duties as between the company, the shareholders and the directors.</p> <p>The bye-laws of a Bermuda company are not filed with the Registrar in Bermuda and are not available for public inspection.</p>
Share premium and contributed surplus	<p>When a company issues shares at a premium, the amount of the premium will generally be transferred to the share premium account. The money in the share premium account may be applied, subject to the provisions of the memorandum and articles of association, in such manner as the company may, from time to time, determine including, but without limitation, among other things, paying distributions or dividends to members.</p>	<p>When a company issues shares at a premium, the premium will be transferred to the share premium account and its use is more restrictive than that under Companies Law. Share premium is not distributable but it may be used to pay up unissued shares to be issued to members of the company as fully paid bonus shares.</p> <p>Where premium arises from an exchange of shares, however, the excess value of the shares acquired over the nominal value of the shares being issued may be credited to a contributed surplus account of the issuing company.</p>

	CAYMAN ISLANDS	BERMUDA
Financial assistance	<p>There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. A company may therefore provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.</p>	<p>Contributed surplus can, among other things, be distributed to the shareholders subject to there being reasonable grounds for believing that, after the payment (a) the company would be able to pay its liabilities as they become due; and (b) the realizable value of the company's assets would thereby be more than the aggregate of its liabilities and its issued share capital and share premium account.</p> <p>The Companies Act includes financial assistance provisions historically intended to preserve the capital of a company. However, financial assistance is not prohibited in circumstances where, after the giving of any such assistance, the company will be able to pay its liabilities as they become due.</p>

	CAYMAN ISLANDS	BERMUDA
Shareholders' meetings	<p>An exempted company is not required to hold an annual general meeting. A meeting of shareholders, or a class of shareholders, may be validly convened and business conducted, subject to the memorandum and the articles, with only one shareholder present in person, or as the articles provide, on such notice to shareholders as the articles prescribe.</p> <p>Articles may provide for general meetings of shareholders to be called only by the directors or at the written request of shareholders in accordance with the articles.</p> <p>Where there is no contrary provision in the articles, a meeting shall be duly summoned where 5 days' notice is served on every member, 3 members are competent to summon the meeting, and any person elected by the members present is competent to preside as chairman.</p> <p>Shareholders' meetings need not be held in Cayman.</p>	<p>An exempted company must hold an annual general meeting once in every calendar year. A meeting of shareholders may be validly convened, subject to the bye-laws, with at least one person present representing shareholders. The Companies Act provides that the minimum notice with respect to the calling of the annual general meeting or any special general meeting is five days – shorter notice periods require special agreement of the members. The bye-laws may further extend this notice period.</p> <p>Upon the request of the shareholders holding at the date of the request not less than 10% of the paid up capital of the company, the directors are required to convene a special general meeting.</p> <p>Shareholders' meetings need not be held in Bermuda.</p>

	CAYMAN ISLANDS	BERMUDA
Voting	<p>Shareholders may vote at general meetings in person. In so far as the company's articles provide, shareholders may vote by proxy; the holder of a proxy may, but need not, be a shareholder and a corporate shareholder of the company may appoint such person as it thinks fit to be its representative at any general meeting of the company or class of shareholders of the company.</p> <p>The Companies Law requires that certain decisions of the shareholders in general meeting must be approved by a "special resolution". A resolution will be a special resolution when passed by a majority of not less than two-thirds (or such greater number as specified in the articles) of the shareholders who vote in person or by proxy at a general meeting and notice of the meeting specified the intention to propose a special resolution. A special resolution will also be made when, if authorised in the articles, a special resolution in writing is approved and signed by all shareholders entitled to vote at a general meeting. Except as aforesaid, resolutions require to be approved by simple majority.</p> <p>Where no regulations are made as to voting, every member has one vote.</p>	<p>Shareholders may vote at general meetings in person or by proxy. The holder of a proxy may, but need not, be a shareholder. A corporate shareholder of an exempted company may appoint such person as it thinks fit to be its representative at general meetings. The holder of more than one share may appoint more than one proxy.</p> <p>Unless the bye-laws provide otherwise, resolutions of shareholders generally require to be approved by a simple majority. Resolutions may be approved by unanimous written consent.</p>

	CAYMAN ISLANDS	BERMUDA
Redemption and repurchase of shares	<p>An exempted company may, if authorised by its articles, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or the shareholder, and it may purchase its own shares, including any redeemable shares. A redemption or purchase may be made out of profits, or the proceeds of a fresh issue of shares made for the purpose of the redemption or purchase, or, under certain circumstances, out of capital. No redemption or purchase may take place unless the shares are fully paid, or if as a result of the redemption or purchase, there would no longer be any other member of the company holding shares. Shares redeemed are treated as cancelled and are available for reissue.</p> <p>An exempted company cannot hold shares in treasury.</p>	<p>Where an exempted company has the power to redeem or repurchase its shares, the manner of effecting such redemption or purchases must be set out in the bye-laws. A redemption or purchase must be made out of the capital paid up thereon and any related share premium, or profits, or the proceeds of a fresh issue of shares. No redemption or purchase may take place if, as a result of such redemption or purchase, the issued and outstanding shares of the company would represent less than the minimum authorised capital or if there are reasonable grounds for believing that the company would be unable to pay its liabilities as they become due.</p> <p>Shares redeemed or purchased are treated as cancelled and are available for reissue. An exempted company cannot hold shares in treasury.</p>
Increase of share capital	<p>A company can increase its share capital if authorised by its articles. The articles may provide that this be done by ordinary resolution of the shareholders in general meeting.</p>	<p>The authorised share capital of the company may be increased if authorised by its bye-laws and by resolution of shareholders in general meeting. A memorandum of increase must be filed within 30 days of the increase with the Registrar in Bermuda.</p>

	CAYMAN ISLANDS	BERMUDA
Reduction of share capital	<p>Subject to the provisions of the Companies Law and to confirmation by the court, a company, if so authorised by its articles, may reduce its share capital by special resolution of its shareholders. After the resolution is passed, the company may apply to the court for an order confirming the reduction. A copy of the order of the court and a minute approved by the court setting out particulars prescribed in the Companies Law must be registered with the Registrar in the Cayman Islands. A notice of the registration must be published in the manner directed by the court.</p>	<p>A company may reduce its share capital if authorised by a general meeting of shareholders, provided that publication of the intention to reduce the capital has been made in a newspaper in Bermuda and there are no reasonable grounds for believing that the company is, or after the reduction would be, unable to pay its liabilities as they become due. A memorandum of reduction of share capital must be filed with the Registrar in Bermuda.</p>
Dividends	<p>Dividends may only be paid from profits. The Companies Law prohibits companies from paying a distribution or dividend to shareholders out of share premium account unless, immediately following the date on which the proposed payment is to be made, the company is able to pay its debts as they fall due in the ordinary course of business.</p>	<p>An exempted company may, subject to its bye-laws, by resolution of the directors declare and pay a dividend, or make a distribution out of contributed surplus, provided there are reasonable grounds for believing that after any such payment (a) the company will be solvent and (b) the realizable value of its assets will be greater than the aggregate of its liabilities, issued share capital and share premium account.</p>

	CAYMAN ISLANDS	BERMUDA
Protection of minority shareholders	<p>Any shareholder of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up. In the case of a company (not being a bank) having a share capital divided into shares, the court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the court shall direct.</p>	<p>Shareholders are entitled to complain to the court under the Companies Act that the affairs of a Bermuda company are being conducted in a manner which is oppressive or prejudicial to the shareholders or a part of them. A Bermuda company may be wound up by the court if the court is of the opinion that it is just and equitable that the company should be wound up. A complaint by a shareholder that the affairs of a company are being conducted or have been conducted in a manner oppressive or unfairly prejudicial to the interest of some part of the members would be considered one of the just and equitable grounds.</p>
Stamp duty	<p>No stamp duty is payable on a transfer of shares of a Cayman company except that which hold interests in land in the Cayman. Certain documents are subject to stamp duty which is generally a nominal amount.</p>	<p>No stamp duty is payable on a transfer of shares of a Bermuda company or in respect of any instrument executed by an exempted company or in respect of an instrument relating to an interest in an exempted company. Stamp duty may be payable in respect of transactions involving Bermuda property.</p>

	CAYMAN ISLANDS	BERMUDA
Taxation	<p>No taxes are imposed in Cayman upon an exempted company or its shareholders.</p> <p>An exempted company is entitled to receive an undertaking from the Cayman government such that no law enacted in Cayman imposing any tax to be levied on profits, income, gains or appreciation or which is in the nature of estate duty or inheritance tax shall apply to an exempted company, or its shares or by withholding for a period of up to twenty years, which is usually renewable for a further ten years upon expiry.</p>	<p>No taxes are imposed in Bermuda on an exempted company or its shareholders, other than on shareholders ordinarily resident in Bermuda.</p> <p>An exempted company may apply for and is likely to receive from the Minister of Finance an assurance that, in the event of there being enacted in Bermuda any legislation imposing tax computed on profits or income, or computed on any capital assets, gain or appreciation, or any tax in the nature of estate duty or inheritance tax, such tax shall not until March 2016 be applicable to the company or to any of its operations or to the shares, debentures or other obligations of the company except insofar as such tax applies to persons ordinarily resident in Bermuda and holding such shares, debentures or other obligations of the company or any land leased or let to the company.</p>

Set out below is a summary of the provisions of the new memorandum of continuance (the “New Memorandum”) and the bye-laws of the Company (“Bye-laws”) upon continuation in Bermuda and their differences with the memorandum (the “Memorandum”) and articles of association (the “Articles”) of the Company prior to the re-domicile (the “Company”).

1. THE MEMORANDUM AND THE NEW MEMORANDUM

The Memorandum states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and that the Company shall have full power and authority to carry out any object not prohibited by any law as provided by the Companies Law, that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit as provided by the Companies Law and, as an exempted company, the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

Upon continuance of the Company in Bermuda, the Company will adopt the New Memorandum which, upon filing with and registration by the Bermuda Registrar, will in effect be the Company’s new memorandum of association. The New Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the Company is an exempted company as defined in the Companies Act. The New Memorandum also sets out the objects of the Company, including acting as a holding and investment company, and its powers, including the powers to issue preference shares which are, at the option of the holder, liable to be redeemed and to purchase its shares. As an exempted company, the Company will be carrying on business outside Bermuda from a place of business within Bermuda.

**2. SUMMARY OF THE BYE-LAWS AND MATERIAL DIFFERENCES BETWEEN THE
ARTICLES AND THE BYE-LAWS****(a) Directors***(i) Power to allot and issue shares and warrants*

Summary

Subject to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Act, any preference shares may be issued or converted into shares that are liable to be redeemed, at a determinable date or at the option of the Company or, if so authorised by its memorandum of association, at the option of the holder, on such terms and in such manner as the Company before the issue or conversion may by ordinary resolution determine. The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Act, the Bye-laws, any direction that may be given by the Company in general meeting and, where applicable, the rules of any Designated Stock Exchange (as defined in the Bye-laws) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

Material differences

The corresponding provisions of the Articles relating to the power of directors to allot and issue shares and warrants are substantially the same except that, subject to any special rights conferred on the holders of any shares or class of shares, any shares may, with the sanction of a special resolution, be issued on terms that they are, or at the option of the Company are liable, to be redeemed.

Under the Articles, no shares of the Company may be issued at a discount except in accordance with the provisions of the Companies Law.

(ii) *Power to dispose of the assets of the Company or any of its subsidiaries*

Summary

There are no specific provisions in the Bye-laws relating to the disposal of the assets of the Company or any of its subsidiaries.

Note: The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Bye-laws or the Companies Act to be exercised or done by the Company in general meeting.

Material differences

The Articles do not contain any prohibition or restriction on the disposal of the assets of the Company or any of its subsidiaries.

(iii) *Compensation or payments for loss of office*

Summary

Payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

Material differences

The Articles contain similar provisions.

**APPENDIX III SUMMARY OF THE PROPOSED MEMORANDUM AND
BYE-LAWS AND DIFFERENCES WITH THE
MEMORANDUM AND ARTICLES**

(iv) Loans and provision of security for loans to Directors

Summary

There are no provisions in the Bye-laws relating to the making of loans to Directors. However, the Companies Act contains restrictions on companies making loans or providing security for loans to their directors.

Material differences

There are provisions in the Articles prohibiting the making of loans to Directors or the spouse or any child of such Director (collectively, the “Director and his Associates”) or a person acting in his capacity as the trustee for the benefit of the Director and his Associates or a person acting in his capacity as partner of the Director or Associates or of any trustee of the Director and his Associates.

(v) Financial assistance to purchase shares of the Company

Summary

Neither the Company nor any of its subsidiaries shall directly or indirectly give financial assistance to a person who is acquiring or proposing to acquire shares in the Company for the purpose of that acquisition whether before or at the same time as the acquisition takes place or afterwards, provided that the Bye-laws shall not prohibit transactions permitted under the Companies Act.

Material differences

The Articles only permit the Company to give financial assistance for the purchase of its shares if the purchase is allowed by the Companies Law and made in compliance with the rules of the Stock Exchange and any other relevant regulatory body.

(vi) Disclosure of interests in contracts with the Company or any of its subsidiaries

Summary

A Director may hold any other office or place of profit with the Company (except that of auditor of the Company) in conjunction with his office of Director for such period and, subject to the Companies Act, upon such terms as the board may determine, and may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Bye-laws. A Director may be or become a director or other officer of, or a member of, any company promoted by the Company

or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Bye-laws, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Act and to the Bye-laws, no Director or proposed or intending Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board in respect of any contract or arrangement or other proposal in which he is to his knowledge materially interested but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving of any security or indemnity to the Director in respect of money lent or obligations incurred or undertaken by him at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving by the Company of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director has himself assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director is or is to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director is interested in the same manner as other holders of shares or debentures or other securities of the Company or any of its subsidiaries by virtue only of his interest in shares or debentures or other securities of the Company;
- (ee) any contract or arrangement concerning any other company in which he is interested only, whether directly or indirectly, as an officer or executive or a shareholder other than a company in which the Director together with any of his associates (as defined by the rules, where applicable, of any Designated Stock Exchange (as defined in the Bye-laws)) is beneficially interested in 5 percent. or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest is derived); or
- (ff) any proposal concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director as such any privilege or advantage not accorded to the employees to which such scheme or fund relates.

Material differences

The Articles contain substantially similar provisions.

(vii) *Remuneration*

Summary

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such remuneration (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably incurred or

expected to be incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration provided for by or pursuant to any other Bye-law. A Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependants or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependants, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependants are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

Material differences

The board may establish and maintain or procure the establishment and maintenance of any contributory or non-contributory pension or superannuation funds for the benefit of, or give or procure the giving of donations, gratuities, pensions, allowances or emoluments to any persons who are or were at any time in the employment or service of the Company, or of any company which is a subsidiary of the Company, or is associated with the Company or with any such subsidiary company,

or who are or were at any time directors or officers of the Company or of any such other company, and holding or who have held any salaried employment or office in the Company or such other company, and the wives, widows, families and dependants of any such persons.

(viii) Retirement, appointment and removal

Summary

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that no Director holding office as chairman and/or managing director shall be subject to retirement by rotation, or be taken into account in determining the number of Directors to retire. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Note: There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or, subject to authorisation by the members in general meeting, as an addition to the existing board but so that the number of Directors so appointed shall not exceed any maximum number determined from time to time by the members in general meeting. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at the meeting. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by a special resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) provided that the notice of any such meeting convened for the purpose of removing a Director shall contain a statement of the intention to do so and be served on such Director 14 days before the meeting and, at such meeting, such Director shall be entitled to be heard on the motion for his removal. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors unless otherwise determined from time to time by members of the Company.

Material differences

The Articles contain substantially similar provisions. There is however no requirement to serve any notice on the Director who is being removed nor is there any provision allowing such director to be heard on the motion for his removal.

(ix) *Borrowing powers*

Summary

The board may from time to time at its discretion exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Act, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Bye-laws in general, can be varied with the sanction of a special resolution of the Company.

Material differences

The Articles contain substantially similar provisions.

(b) Alterations to constitutional documents

Summary

The Bye-laws may be rescinded, altered or amended by the Directors subject to the confirmation of the Company in general meeting. The Bye-laws state that a special resolution shall be required to alter the provisions of the Memorandum of Association, to confirm any such rescission, alteration or amendment to the Bye-laws or to change the name of the Company.

Material differences

Under the Articles, any alteration to the Memorandum and the Articles requires the sanction of a special resolution.

(c) Alteration of capital*Summary*

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Act:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association;
- (v) change the currency denomination of its share capital;
- (vi) make provision for the issue and allotment of shares which do not carry any voting rights; and
- (vii) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may, by special resolution, subject to any confirmation or consent required by law, reduce its authorised or issued share capital or any share premium account or other undistributable reserve in any manner permitted by law.

Material differences

Save for paragraphs (v) and (vi) of the above summary, Articles 52 to 55 of the Articles contain similar provisions. The Company may also by special resolution reduce any capital redemption reserve.

(d) Variation of rights of existing shares or classes of shares*Summary*

Subject to the Companies Act, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Bye-laws relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons (or in the case of a member being a corporation, its duly authorised representative) holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person (or in the case of a member being a corporation, its duly authorised representative) or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Material differences

The Articles contain substantially similar provisions save that the quorum for the adjourned meeting is one holder present in person or by proxy or authorised representative.

(e) Special resolution-majority required*Summary*

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 21 clear days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which less than 21 clear days' notice has been given.

Material differences

The definition of special resolution under the Articles is the same. In the case of a meeting convened for the purpose of passing a special resolution, 21 days' notice in writing at the least must be given to all the members for the time being of the Company.

(f) Voting rights (generally and on a poll) and right to demand a poll*Summary*

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Bye-laws, at any general meeting on a show of hands, every member who is present in person (or being a corporation, is present by its duly authorised representative) or by proxy shall have one vote and on a poll every member present in person or by proxy or, being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share.

Notwithstanding anything contained in the Bye-laws, where more than one proxy is appointed by a member which is a clearing house (as defined in the Bye-laws) (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

Where the Company has knowledge that any member is, under the rules of the Designated Stock Exchange (as defined in the Bye-laws) required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

At any general meeting a resolution put to the vote of the meeting is to be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by (i) the chairman of the meeting or (ii) at least three members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting or (iii) any member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting or (iv) a member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right or if required by the rules of the Designated Stock Exchange

(as defined in the Bye-laws), by any Director or Directors who, individually or collectively, hold proxies in respect of shares representing five per cent (5%) or more of the total voting rights at such meeting.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares held by that clearing house (or its nominee(s)) in respect of the number and class of shares specified in the relevant authorisation including the right to vote individually on a show of hands.

Material differences

The Articles contain substantially similar provisions. Where a member has a partly paid Share, he shall have the fraction of one vote equal to the proportion which the nominal amount due and paid up or credited as paid up thereon bears to the nominal value of the share. In addition, there is no provision permitting a Director or Directors holding proxies to demand a poll.

In addition, there is no provision permitting a Director or Directors holding proxies to demand a poll.

(g) Requirements for annual general meetings

Summary

An annual general meeting of the Company must be held in each year other than the year in which its statutory meeting is convened at such time (within a period of not more than 15 months after the holding of the last preceding annual general meeting unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Bye-laws)) and place as may be determined by the board.

Material differences

Similarly, the Company must hold a general meeting as its annual general meeting and not more than 15 months shall elapse between the date of one annual general meeting and the next. However, the first annual general meeting of the Company may be held at any time within 18 months of its incorporation.

(h) Accounts and audit*Summary*

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the provisions of the Companies Act or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or, subject to the Companies Act, at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right of inspecting any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting.

Subject to the Companies Act, a printed copy of the Directors' report, accompanied by the balance sheet and profit and loss account, including every document required by law to be annexed thereto, made up to the end of the applicable financial year and containing a summary of the assets and liabilities of the Company under convenient heads and a statement of income and expenditure, together with a copy of the auditors' report, shall be sent to each person entitled thereto at least 21 days before the date of the general meeting and laid before the Company in general meeting in accordance with the requirements of the Companies Act provided that this provision shall not require a copy of those documents to be sent to any person whose address the Company is not aware of or to more than one of the joint holders of any shares or debentures; however, to the extent permitted by and subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Bye-laws), the Company may send to such persons a summary financial statement derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him in addition, in addition to a summary financial statement, a complete printed copy of the Company's annual financial statement and the directors' report.

Subject to the Companies Act, at the annual general meeting or at a subsequent special general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the members appoint another auditor. Such auditor may be a member but no Director or officer or employee of the Company shall, during his continuance in office, be eligible to act as an auditor of the Company. The remuneration of the auditor shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than Bermuda. If the auditing standards of a country or jurisdiction other than Bermuda are used, the financial statements and the report of the auditor should disclose this fact and name such country and jurisdiction.

Material differences

The Articles require proper books of account to be kept at the principal place of business of the Company in Hong Kong or at such other place as the Directors think fit which is open to inspection by Directors. There is no provision in the Articles which is similar to the last paragraph of the above summary nor in relation to the provision of summary financial statements.

(i) Notices of meetings and business to be conducted thereat

Summary

An annual general meeting and any special general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by at least 21 clear days' notice in writing, and any other special general meeting shall be called by at least 14 clear days' notice (in each case exclusive of the day on which the notice is given or deemed to be given and of the day for which it is given or on which it is to take effect). The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such.

Material differences

The Articles contain substantially similar provisions. A notice convening a meeting to pass a special resolution shall specify the intention to propose the relevant resolution as a special resolution.

(j) Transfer of shares

Summary

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve

from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in Bermuda or such other place in Bermuda at which the principal register is kept in accordance with the Companies Act.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Bye-laws) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in an appointed newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Bye-laws), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole 30 days in any year.

**APPENDIX III SUMMARY OF THE PROPOSED MEMORANDUM AND
BYE-LAWS AND DIFFERENCES WITH THE
MEMORANDUM AND ARTICLES**

Material differences

The Articles do not provide for the directors to dispense with the execution of an instrument of transfer by the transferee. Save for the 2nd and 3rd paragraphs and the requirement to advertise in newspapers referred to in the last paragraph of the above summary, the remaining provisions with regard to the transfer of shares in the Articles are similar. Under the Articles, with the approval of the Company in general meeting, the register may be closed for 60 days in any year.

(k) Power for the Company to purchase its own shares

Summary

The Bye-laws supplement the New Memorandum (which gives the Company the power to purchase its own shares) by providing that the power is exercisable by the board upon such terms and conditions as it thinks fit.

Material differences

The Articles provide that subject to the provisions of the Companies Law and the rules of the Stock Exchange, the Company may repurchase its own shares and warrants on such terms as the Directors may deem fit.

(l) Power for any subsidiary of the Company to own shares in the Company

Summary

There are no provisions in the Bye-laws relating to ownership of shares in the Company by a subsidiary.

Material differences

Similarly, the Articles do not contain any a provision.

(m) Dividends and other methods of distribution

Summary

Subject to the Companies Act, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board. The Company in general meeting may also make a distribution to its members out of contributed surplus (as ascertained in accordance with the Companies Act). No dividend shall be paid or distribution made out of contributed surplus

if to do so would render the Company unable to pay its liabilities as they become due or the realisable value of its assets would thereby become less than the aggregate of its liabilities and its issued share capital and share premium account.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to a member by the Company on or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

Material differences

The Articles contain substantially similar provisions save that dividend must be paid out of profits and there is no reference to contributed surplus which is distributable under Bermuda law.

(n) Proxies*Summary*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company. In addition, a proxy or proxies representing either a member who is an individual or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise.

Material differences

The Articles allow a member of the Company to appoint not more than two proxies only to attend and vote instead of him at a meeting of the Company.

(o) Call on shares and forfeiture of shares*Summary*

Subject to the Bye-laws and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20 per cent. per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or instalments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than 14 clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding 20 per cent. per annum as the board determines.

Material differences

The Articles contain substantially similar provisions to the Bye-laws.

(p) Inspection of register of members

Summary

The register and branch register of members shall be open to inspection between 10:00 a.m. and 12:00 noon on every business day by members without charge, or by any other person upon a maximum payment of five Bermuda dollars, at the registered office or such other place in Bermuda at which the register is kept in accordance with the Companies Act or, upon a maximum payment of \$10, at the Registration Office (as defined in the Bye-laws), unless the register is closed in accordance with the Companies Act.

Material differences

Under the Articles, the register of members is required to be open not less than 2 hours in each day for inspection by members without charge

(q) Quorum for meetings and separate class meetings

Summary

For all purposes the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

Material differences

The Articles contain similar provisions.

In case of a separate class meeting, the necessary quorum shall be one person holding or representing by proxy one-third in nominal value of the issued shares of that class, and at an adjourned meeting one person holding shares of that class or his proxy.

(r) Rights of the minorities in relation to fraud or oppression*Summary*

There are no provisions in the Bye-laws relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Bermuda law.

Material differences

The Articles contain no provisions specifically dealing with such rights of minority shareholders.

(s) Procedures on liquidation*Summary*

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Act, divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

Material differences

The Articles do not expressly refer to the type of resolution required to resolve to wind up the Company. However, the Companies Law specifies that a special resolution is required. The definition of a special resolution under Cayman law is different from that in the Articles. Under the Companies Law, a special resolution is a resolution passed by majority of not less than two-thirds of such members as being entitled to vote in person or by proxy at a general meeting.

(t) Untraceable members*Summary*

The Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Bye-laws) giving notice of its intention to sell such shares and a period of three months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Bye-laws), has elapsed since such advertisement and the Designated Stock Exchange (as defined in the Bye-laws) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

Material differences

The Articles contain similar provisions.

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Takeovers Code and the Listing Rules for the purpose of giving information with regard to the Group and the Subscriber.

The Directors jointly and severally accept full responsibility for the accuracy of information contained in this circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

The sole director of the Subscriber accepts full responsibility for the accuracy of the information contained in this circular (other than that relating to the Group) and confirm having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this circular (other than those expressed by the Group) have been arrived at after due and careful consideration and there are no other facts (other than those relating to the Group) not contained in this circular the omission of which would make any statement (other than that relating to the Group) in this circular misleading.

SHARE CAPITAL*Authorised capital:*

	<i>HK\$</i>
<u>200,000,000</u> ordinary shares of HK\$0.10 each	<u>20,000,000</u>

Issued and fully paid or credited as fully paid:

<u>48,000,000</u> ordinary shares of HK\$0.10 each	<u>4,800,000</u>
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All existing Shares rank equally in all respects, including capital, dividends and voting rights. The Shares in issue are listed on the Stock Exchange.

No Shares have been issued since 30 June 2005, being the end of the last financial year of the Company.

Save for the Subscription, no share or loan capital of the Company or any other member of the Group has been put under option or agreed conditionally or unconditionally to be put under option and no warrant, derivative or conversion right affecting the Shares has been issued or granted or agreed conditionally, or unconditionally to be issued or granted.

DISCLOSURE OF INTERESTS**(a) Director's and chief executive's interests in the Company**

As at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code").

(b) Substantial shareholders and other persons' interests in Shares and underlying Shares

So far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in the Shares:

Name	<i>Notes</i>	Capacity and nature of interest	Number of Shares held	Percentage of the Company's issued share capital
Oceanwide	(a)	Through a controlled corporation	8,500,000	17.71
Advance Elite Holdings Limited	(a)	Directly beneficially owned	8,500,000	17.71
Mr. Lau	(b)	Through a controlled corporation	8,500,000	17.71
Ms. Chan Sui Kuen	(c)	Through a controlled corporation	8,500,000	17.71
Mr. Deng Chi Yuan	(d)	Directly beneficially owned	4,830,000	10.06

Notes:

- (a) The Shares are held by Advance Elite Holdings Limited, which is wholly-owned by Oceanwide.
- (b) Mr. Lau, a former Director, is a beneficial shareholder of approximately 28.75% of the issued share capital of Oceanwide, which indirectly holds 8,500,000 Shares through its wholly-owned subsidiary, Advance Elite Holdings Limited.
- (c) Ms. Chan Sui Kuen was deemed to have an interest in 8,500,000 Shares by virtue of her 12.08% indirect interest in Advance Elite Holdings Limited, which holds the 8,500,000 Shares, and being the spouse of a former Director, Mr. Lau, who has 28.75% interest in Advance Elite Holdings Limited, of which their combined interest in the Company exceeded 5%.
- (d) To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Mr. Deng Chi Yuan is not related to any connected person to the Company as at the Latest Practicable Date, and his holding of about 3.5% of the issued share capital of the Company after Completion will be regarded as public float.

Save as disclosed above, no person, other than the directors and chief executive of the Company, whose interests are set out in the section "Directors' and chief executive's interests in the Company" above, had registered an interest in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date:

- (a) none of the Directors has entered or proposed to enter into a service contract with the Company or any of its subsidiaries or associated companies which is not determinable by the Company within one year without payment of compensation, other than statutory compensation;
- (b) none of the Directors had entered into or amended any service contracts (including both continuous and fixed term contracts) with the Company or any of its subsidiaries or any of its associated companies within six months before the date of the Announcement;
- (c) none of the Directors had any continuous service contracts with the Company or any of its subsidiaries or associated companies with a notice period of 12 months or more; and
- (d) none of the Directors had any fixed term service contracts with the Company or any of its subsidiaries or associated companies with more than 12 months to run irrespective of the notice period.

MATERIAL LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was involved in any litigation or arbitration of material importance and no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

QUALIFICATIONS AND CONSENTS OF EXPERTS

The following is the qualification of the experts who have given opinion or advice which is contained in this circular:

Name	Qualifications
Hantec Capital Limited (“Hantec”)	Licensed corporation for type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
INCU Corporate Finance Limited (“INCU”)	Licensed corporation for type 6 (advising on corporate finance) regulated activity under the SFO
Menlo Capital Limited (“Menlo”)	Licensed corporation for type 6 (advising on corporate finance) regulated activity under the SFO
Veda Capital Limited (“Veda”)	Licensed corporation for type 6 (advising on corporate finance) regulated activities under the SFO
CCIF CPA Limited (“CCIF”)	Certified Public Accountants
Conyers Dill & Pearman (“Conyers”)	Cayman Islands and Bermuda attorneys at-law
Michael Li & Co. (“MLC”)	a firm of solicitors of the High Court of Hong Kong

Each of Hantec, INCU, Menlo, Veda, CCIF, Conyers and MLC has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter or its name in the form and context in which they respective appear.

Each of Hantec, INCU, Menlo, Veda, CCIF, Conyers and MLC does not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Each of Hantec, INCU, Menlo, Veda, CCIF, Conyers and MLC does not have any direct or indirect interests in any assets which have been, since 30 June 2005 (being the date to which the latest published audited consolidated accounts of the Group were made up), acquired or disposed of by or leased to, any member of the Group, or which are proposed to be acquired or disposed of by or leased to, any member of the Group.

ADDITIONAL DISCLOSURE OF INTERESTS AND DEALINGS IN SECURITIES

- (a) As at the Latest Practicable Date, save for the Subscription, neither the Subscriber nor any parties acting in concert with it held any securities of the Company or had dealt in the securities of the Company (the “Relevant Securities”) during the period (the “Relevant Period”) beginning six months prior to 17 February 2006 (being the date of the Announcement) and ending on the Latest Practicable Date.

- (b) Save for the Subscription entered into by the Subscriber, the sole director of the Subscriber is not interested in any securities of the Company and he had not dealt for value in the Relevant Securities during the Relevant Period nor had any interest in Relevant Securities as at the Latest Practicable Date.
- (c) As at the Latest Practicable Date, no person had irrevocably committed themselves to vote for or against the resolutions to be proposed at the EGM to approve the Whitewash Waiver.
- (d) As at the Latest Practicable Date, no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code exists between the Subscriber or any party acting in concert with it, and any other person.
- (e) As at the Latest Practicable Date, no agreement, arrangement or understanding (including any compensation arrangement) exists between (i) the Subscriber or any party acting in concert with it; and (ii) any Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Whitewash Waiver.
- (f) As at the Latest Practicable Date, there were no agreements or arrangements to which the Subscriber is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a condition to its offer and the consequences of its doing so, including details of any break fees payable as a result.
- (g) As at the Latest Practicable Date, the Company did not have any interest in the securities of the Subscriber and had no dealings in the securities of the Subscriber during the Relevant Period.
- (h) As at the Latest Practicable Date, none of the Directors had any interest in the securities of the Company or had any interest in the securities of the Subscriber.
- (i) None of the Directors had dealt for value in the securities of the Company or the Subscriber during the Relevant Period.
- (j) As at the Latest Practicable Date, none of (i) the subsidiaries of the Company; (ii) the pension fund of the Company or of any of its subsidiaries; nor (iii) any adviser to the Company (as specified in class (2) of the definition of “associate” under the Takeovers Code), had any interest in the securities of the Company and/or had dealt in the securities of the Company during the Relevant Period.
- (k) As at the Latest Practicable Date, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code.
- (l) As at the Latest Practicable Date, no securities of the Company were managed on a discretionary basis by any fund managers connected with the Company, nor did any such fund managers deal in any securities of the Company during the Relevant Period.

- (m) As at the Latest Practicable Date, none of the Directors held any securities of the Company and therefore did not have any voting intention on the Whitewash Waiver.
- (n) As at the Latest Practicable Date, there was no agreement or arrangement between any of the Directors and any other person which is conditional or dependent on the outcome of the Whitewash Waiver or otherwise connected with the Whitewash Waiver.
- (o) As at the Latest Practicable Date, no benefit has been given or will be given to any Directors as compensation for loss of office or otherwise in connection with Whitewash Waiver.
- (p) As at the Latest Practicable Date, save for the Subscription Agreement, there was no material contract entered into by the Subscriber or any party acting in concert with it in which any Directors has a material personal interest.

MATERIAL CONTRACTS

Save for (i) the Subscription Agreement and (ii) a deed of waiver made between the Company and Oceanwide on 30 November 2005, pursuant to which, Oceanwide agreed to waive the debt of HK\$2,765,838 (including the amount of HK\$2,734,401 brought forward from 30 June 2005) due by the Company, there are no material contracts (other than contracts entered into in the ordinary course of business) which have been entered into by the Company or its subsidiaries after the date two years immediately preceding the date of the Announcement and up to the Latest Practicable Date.

MARKET PRICE

No prices was recorded for the Shares for the period commencing six months immediately preceding the date of the Announcement and ending on the Latest Practicable Date since trading in the Shares on the Stock Exchange was suspended at the request of the Company from 9:30 a.m. on 14 February 2005 and will remain suspended pending the demonstration by the Company to the satisfaction of the Stock Exchange that, among others, the continual listing of the Shares is warranted. The closing price per Share as quoted on the Stock Exchange on the Last Trading Day was HK\$0.325.

MISCELLANEOUS

- (a) The registered office of the Subscriber is at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands and the correspondence address of the Subscriber is at Room 1202-03, Harbour Crystal Centre, 100 Granville Road, Tsim Sha Tsui East, Kowloon, Hong Kong.
- (b) The sole director and beneficial owner of the Subscriber is Mr. Gordon Chan of Room 1202-03, Harbour Crystal Centre, 100 Granville Road, Tsim Sha Tsui East, Kowloon, Hong Kong.
- (c) The registered office of the Company is located at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681GT, George Town, Grand Cayman, British West Indies.

- (d) The principal place of business of the Company in Hong Kong is located at Suite 504, 5/F, Chinachem Tower, 34-37 Connaught Road Central, Hong Kong.
- (e) As at the Latest Practicable Date, the Board comprised Ms. Wang Wen Xia and Mr. Pong Po Lam, Paul being the executive Directors, Mr. Lan Ning, Dr. Chan Po Fun, Peter and Mr. Ding Xiaobin being the non-executive Directors and Dr. Cheung Wai Bun, Charles, Mr. Zhang Yong and Mr. Gu Qiu Rong being the independent non-executive Directors.
- (f) The branch share registrar and transfer office of the Company is Tengis Limited at 26th Floor, Tesbury Centre, 28 Queens' Road East, Wanchai, Hong Kong.
- (g) The secretary of the Company is Mr. Li Chi Chung, who is a practising solicitor in Hong Kong. The qualified accountant of the Company is Dr. Chan Po Fun, Peter, who is a Certified Public Accountant.
- (h) The principal banker of the Company is The Hongkong and Shanghai Banking Corporation Limited.
- (i) The names and addresses of the joint financial advisers of the Company are as follows:
 - (i) Hantec Capital Limited of 45th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong; and
 - (ii) INCU Corporate Finance Limited of Unit 1602, Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong.
- (j) The names and addresses of the Joint Independent Financial Advisers are as follows:
 - (i) Menlo Capital Limited of Unit 6, 1/F, Beautiful Group Tower, 77 Connaught Road, Central, Hong Kong; and
 - (ii) Veda Capital Limited of Suite 2816, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong.
- (k) The legal advisers of the Company in relation to the Change of Domicile and Capital Reorganisation are as follows:
 - (i) on Hong Kong law: Michael Li & Co. of 14th Floor, Printing House, 6 Duddell Street, Central, Hong Kong; and
 - (ii) on Cayman Islands and Bermuda law: Conyers Dill & Pearman of 2901, One Exchange Square, 8 Connaught Place, Central, Hong Kong.
- (l) The English text of this circular and the accompany form of proxy shall prevail over their respective Chinese texts for the purpose of interpretation.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) during normal business hours on any weekday (except for public holidays) at the head office and principal place of business of the Company in Hong Kong at Suite 504, 5/F, Chinachem Tower, 34-37 Connaught Road Central, Hong Kong, (ii) on the transaction specific website (www.hantec.com/hantec/corp/prime00721/index.html), and (iii) the website of the SFC (www.sfc.hk), from the date of this circular up to and including the date of the EGM:

- (a) the memorandum and articles of association of the Company;
- (b) the form of the proposed memorandum of continuance and bye-laws of the Company, effective on the Change of Domicile;
- (c) the annual reports of the Company for the years ended 30 June 2003, 2004 and 2005;
- (d) the material contracts as referred to in the paragraph headed “Material contracts” in this appendix.
- (e) the legal opinions from each of Conyers and MLC dated 10 March 2006;
- (f) an undertaking provided by the Subscriber dated 14 December 2005, of which the Subscriber has undertaken to the Company that, upon completion of the Subscription Agreement, an amount of HK\$5 million will be provided to the Company by way of shareholder’s loan from the Subscriber;
- (g) the written consent referred to in the paragraph headed “Qualifications and consents of experts” in this appendix;
- (h) the letter from CCIF in respect of the unaudited pro forma consolidated net tangible assets of the Group, the text of which is set out on page 66 to 67 of this circular;
- (i) the letter from the Independent Board Committee, the text of which is set out on page 28 of this circular; and
- (j) the letter of advice from the Joint Independent Financial Advisers, the text of which is set out on pages 29 to 44 of this circular.

NOTICE OF EGM



PRIME INVESTMENTS HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 721)

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (the “EGM”) of Prime Investments Holdings Limited (the “Company”) will be held at 3:00 p.m. on Monday, 3 April 2006 at Taurus Room, 33/F., Rosedale on the Park, 8 Shelter Street, Causeway Bay, Hong Kong for the following purpose of considering and, if thought fit, passing with or without amendments, the following resolutions numbered 1 and 2 as special resolutions and resolutions numbered 3 and 4 as ordinary resolutions:

SPECIAL RESOLUTIONS

1. “THAT

- (a) the memorandum of association of the Company be and is hereby amended to permit the Company to discontinue by de-registration as a company under the laws of the Cayman Islands by the inclusion of the following new paragraph 9:

“9. Subject to the Companies Law (2004 Revision), as amended from time to time, of the Cayman Islands and the articles of association, the Company shall have the power to de-register in the Cayman Islands and to register by way of continuance as a body corporate limited by shares under the laws of any jurisdiction outside the Cayman Islands.”

- (b) the articles of association of the Company be and are hereby amended by the addition of the following as Article 179:

“TRANSFER BY WAY OF CONTINUATION

179. The Company may, by special resolution, resolve to de-register the Company from the Cayman Islands and to transfer and continue the Company as a body corporate to, and under the laws of, a country or jurisdiction outside the Cayman Islands which permits or does not prohibit the transfer of the Company pursuant to the law.”

- (c) effective upon the amendment of the memorandum and articles of association of the Company and subject to all necessary governmental and regulatory consents and approval, pursuant to Article 179 of the articles of association of the Company, the change of the domicile of the Company (the “**Change of Domicile**”) from the Cayman Islands to Bermuda by way of continuation of the Company as an exempted company under the laws of Bermuda and de-registration as a company under the laws of the Cayman Islands be and is hereby approved and that the directors of the Company (the “**Directors**”) be and are hereby authorised to do all such acts and things and execute all documents they consider necessary or expedient to give effect to the aforesaid Change of Domicile;

NOTICE OF EGM

- (d) the draft memorandum of continuance in the form made available for inspection by all shareholders (the “**Shareholders**”) of the Company prior to this meeting, a copy of which has been produced to the meeting marked “A” and initialed by the chairman (the “**Chairman**”) of EGM for the purpose of identification, be and is hereby adopted in substitution for the memorandum of association of the Company, effective from the date that the memorandum of continuance is approved and registered by the Registrar of Companies in Bermuda;
- (e) conditional upon the continuance of the Company as an exempted company under the laws of Bermuda, the draft bye-laws in the form made available for inspection by all Shareholders prior to the EGM, a copy of which has been produced to the meeting marked “B” and initialed by the Chairman for the purpose of identification, be and is hereby adopted in substitution for the articles of association of the Company, effective from the date that the memorandum of continuance is registered by the Registrar of Companies in Bermuda; and
- (f) the Directors be and are hereby authorised to undertake all such further actions or matters as may be required to implement the change of domicile of the Company from the Cayman Islands to Bermuda as described in the circular (the “**Circular**”) of the Company dated 10 March 2006, a copy of which has been produced to the meeting marked “C” and initialed by the Chairman for the purpose of identification.”

2. “**THAT:**

- (a) the nominal value of each of the issued shares (the “**Shares**”) of the Company of par value HK\$0.10 each be and is hereby reduced from par value HK\$0.10 each by cancelling the capital paid-up thereon by HK\$0.09 on each issued Share to par value HK\$0.01 each (each such reduced share, a “**New Share**”) in the share capital of the Company (the “**Capital Reduction**”) and the credit arising from the Capital Reduction be transferred to the contributed surplus account of the Company;
- (b) each of the authorised but unissued Shares be and is hereby sub-divided into 10 New Shares of HK\$0.01 each (the “**Capital Subdivision**”);
- (c) the entire amount standing to the credit of the share premium account of the Company as at the date of passing this resolution be cancelled and credited to the contributed surplus account of the Company (the “**Cancellation of Share Premium Account**”); and
- (d) the Directors be and are hereby authorised to do all such acts and things and execute all documents they consider necessary or expedient to give effect of the capital reorganisation of the Company involving the Capital Reduction, the Capital Subdivision and the Cancellation of Share Premium Account.”

NOTICE OF EGM

ORDINARY RESOLUTIONS

3. “**THAT** subject to the passing of special resolutions numbered 1 and 2 above:
- (a) the subscription agreement (the “**Subscription Agreement**”) dated 2 November 2005 entered into between the Company and Poly Good Group Limited (the “**Subscriber**”), in relation to the subscription of 89,142,857 New Shares (the “**Subscription Shares**”) by the Subscriber, a copy of which has been produced to this meeting marked “D” and initialed by the Chairman for the purpose of identification, be and is hereby approved, confirmed and ratified;
 - (b) the allotment and issue of the Subscription Shares pursuant to the terms and conditions of the Subscription Agreement, subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in the Subscription Shares, be and is hereby approved; and
 - (c) the Directors be and are hereby authorised to (aa) allot and issue the Subscription Shares to the Subscriber; and (bb) to do all such acts and things as they consider necessary, desirable or expedient to give effect to any or all other transactions contemplated under the Subscription Agreement.”
4. “**THAT** subject to the passing of the ordinary resolution numbered 3 above, the terms of the application for a waiver granted or to be granted by the Executive Director (the “**Executive**”) of the Corporate Finance Division of the Securities and Futures Commission to the Subscriber and parties acting in concert with it pursuant to Note 1 of the Notes on Dispensation from Rule 26 of the Code on Takeovers and Mergers of Hong Kong from an obligation to make a general offer for all the New Shares not already owned by them as a result of the Subscription be and are hereby approved.”

Yours faithfully
By the order of the board
Prime Investments Holdings Limited
Wang Wen Xia
Director

Hong Kong, 10 March 2006

NOTICE OF EGM

Registered office:

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681GT
George Town
Grand Cayman
British West Indies

Head office and principal place of business in Hong Kong:

Suite 504, 5/F
Chinachem Tower
34-37 Connaught Road Central
Hong Kong

Notes:

1. A member entitled to attend and vote at the EGM is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the EGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. A form of proxy for use at the EGM is enclosed with the circular of the Company dated 10 March 2006. Whether or not you intend to attend the EGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the EGM or any adjournment thereof, should he so wish.
3. In order to be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority must be deposited at the Company's branch share registrar in Hong Kong, Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.
4. In the case of joint holders of shares, any one of such holders may vote at the EGM, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holder are present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.