THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Goldbond Group Holdings Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

This circular is addressed to the shareholders of Goldbond Group Holdings Limited in connection with an extraordinary general meeting of Goldbond Group Holdings Limited to be held on 28 November 2003. This circular does not constitute an offer of, and is not calculated to invite offers for, shares or other securities of Goldbond Group Holdings Limited.

GOLDBOND GROUP HOLDINGS LIMITED
金榜集團控股有限公司

(incorporated in Hong Kong with limited liability)

OPEN OFFER TO QUALIFYING SHAREHOLDERS OF NOT LESS THAN 1,325,952,000 OFFER SHARES ON THE BASIS OF FOUR OFFER SHARES FOR EVERY EXISTING SHARE HELD AT A SUBSCRIPTION PRICE OF HK$0.10 PER OFFER SHARE PAYABLE IN FULL ON ACCEPTANCE

Independent financial adviser to the Independent Board Committee

CHATERON
CORPORATE FINANCE LIMITED
華夏融資有限公司

A letter from the Independent Board Committee of Goldbond Group Holdings Limited containing its recommendation in respect of the Open Offer is set out on page 20 of this circular. A letter from Chateron Corporate Finance Limited containing its advice to the Independent Board Committee of Goldbond Group Holdings Limited in respect of the Open Offer is set out on pages 21 to 54 of this circular.

A notice convening an extraordinary general meeting of the shareholders of Goldbond Group Holdings Limited to be held at 10:00 a.m. on 28 November 2003 at Kennedy Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong is set out on pages 101 to 105 of this circular. There is a form of proxy for use at the extraordinary general meeting of Goldbond Group Holdings Limited accompanying this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the accompanying form of proxy to the share registrar and transfer office of Goldbond Group Holdings Limited, Computershare Hong Kong Investor Services Limited, at Rooms 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting should you so wish.

It should be noted that the Underwriting Agreement contains certain provisions granting the Underwriters the right to terminate the Underwriting Agreement by notice in writing to the Company at any time prior to 4:00 p.m. on 18 December 2003 if Goldbond Group Holdings Limited commits any material breach of any of the obligations, undertakings, representations and warranties contained in the Underwriting Agreement. If the Underwriters exercise such right, the obligations of the Underwriters under the Underwriting Agreement shall cease and the Open Offer will not proceed.

The Open Offer is expected to become unconditional on or before 18 December 2003 (or such later date as Goldbond Group Holdings Limited may agree with the Underwriters and the Stock Exchange). It should be noted that the Shares will be dealt on an ex-entitlement basis from 24 November 2003. Any person dealing in the Shares before all the conditions as set out on page 13 of this circular are fulfilled will bear the risk that the Open Offer may not become unconditional and may not proceed.

12 November 2003

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	2003
Last day of dealings in Shares on a cum-entitlement basis	Friday, 21 November
First day of dealings in Shares on an ex-entitlement basis	Monday, 24 November
Latest time for lodging transfers of Shares accompanied by the relevant title documents, conversion notice in respect of the Preference Shares accompanied by exercise monies in order to qualify for the Open Offer	4:00 p.m. on Tuesday, 25 November
Latest time for lodging forms of proxy for the EGM	10:00 a.m. on Wednesday, 26 November
Register of members closed (both dates inclusive)	Wednesday, 26 November to Friday, 28 November
EGM	10:00 a.m. on Friday, 28 November
Record Date for the Open Offer	Friday, 28 November
Despatch of the Prospectus Documents	Friday, 28 November
Announcement of results of the EGM	Monday, 1 December
Register of members re-opens	Monday, 1 December
Latest time for payment for and acceptance of the Offer Shares	4:00 p.m. on Monday, 15 December
Open Offer to become unconditional	Thursday, 18 December
Announcement of results of acceptance of the Open Offer	Friday, 19 December
Certificates for the Offer Shares to be despatched	Monday, 22 December
Commencement of trading in the fully-paid Offer Shares	Wednesday, 24 December

Dates or deadlines specified in this circular for events in the timetable for (or otherwise in relation to) the Open Offer are indicative only and may be extended or varied by agreement between the Company and the Underwriters. Any consequential changes to the above expected timetable will be published by way of public announcements.

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

"'A' Preference Share(s)"	the non-interest bearing redeemable convertible preference share(s) of par value HK$0.10 each in the existing preference share capital of the Company issued and allotted on 18 September 2001
"Ace Solomon"	Ace Solomon Investments Limited, a company incorporated in the British Virgin Islands with limited liability which is owned as to 11% by Mr. Wong, 46% by Mr. Kee and 43% by Ms. Loh, and is one of the Underwriters
"Allied Luck"	Allied Luck Trading Limited, a company incorporated in the British Virgin Islands with limited liability which is owned as to 50% by Mr. Wong and as to the remaining 50% by Mrs. Wong; holding approximately 11.34% of the Company's issued ordinary share capital as at the Latest Practicable Date, and is one of the Underwriters
"Announcement"	the announcement made by the Company on 22 October 2003 regarding, inter alia, the Open Offer
"associates"	has the meaning ascribed to it in the Listing Rules
"'B' Preference Share(s)"	the non-interest bearing redeemable convertible preference share(s) of par value HK$0.10 each in the existing preference share capital of the Company issued and allotted on 18 September 2001
"Board"	the board of Directors
"Business Day(s)"	day(s) on which licensed banks are open for business in Hong Kong (excluding Saturdays)
"Canasia"	Canasia Profits Corporation, a company incorporated in the British Virgin Islands with limited liability which is wholly-owned by Mr. Kee, and holding approximately 8.07% of the Company's issued ordinary share capital as at the Latest Practicable Date

"Cash Offer"	the possible mandatory cash offer to be made by Goldbond Capital (Asia) Limited (formerly known as Asia Investment Capital Limited), on behalf of Allied Luck and Ace Solomon, to acquire all the issued Shares and Preference Shares not already owned and/or agreed to be acquired by Allied Luck, Ace Solomon and parties acting in concert with them at HK$0.10 per Share and HK$0.0001 per Preference Share respectively
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Chateron"	Chateron Corporate Finance Limited, a licensed corporation under the transitional arrangements of the SFO to carry out Type 6 regulated activity prescribed by the SFO, and the independent financial adviser to the Independent Board Committee in relation to the Open Offer (and the Cash Offer, if it materialises)
"Company"	Goldbond Group Holdings Limited, a company incorporated in Hong Kong with limited liability and the Shares of which are listed on the Stock Exchange
"Director(s)"	director(s) of the Company
"EGM"	the extraordinary general meeting of shareholders of the Company to be convened and held at Kennedy Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong at 10:00 a.m. on 28 November 2003 to consider and, if thought fit, approve, among other matters, the Open Offer, notice of which is set out on pages 101 to 105 of this circular
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
"General Mandate"	the proposed general mandate to be sought at the EGM to authorise the Directors to allot and issue new Shares in the manner set out in resolution no. 2 in the notice of EGM included in this circular
"Group"	the Company and its subsidiaries

"HKSCC"	Hong Kong Securities and Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	an independent board committee comprising all independent non-executive Directors (namely Mr. Ma Ho Fai and Mr. Zhang Xiao Shu), which has been formed to advise the Independent Shareholders in respect of the Open Offer
"Independent Shareholders"	Shareholders other than the Significant Shareholders and their respective associates
"Latest Practicable Date"	10 November 2003, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
"Mr. Kee	Mr. Kee Wah Sze, an executive Director
"Mr. Ko"	Mr. Ko Po Ming, an executive Director
"Ms. Loh"	Ms. Loh Jiah Yee, Katherine, an executive Director
"Mr. Wong"	Mr. Wong Yu Lung, Charles, an executive Director
"Mrs. Wong"	Mrs. Wong Fang Pik Chun, the spouse of Mr. Wong
"Open Offer"	the proposed open offer of four Offer Shares for every existing Share held by the Qualifying Shareholders
"Offer Share(s)"	new Share(s) to be issued under the Open Offer
"Overseas Shareholder(s)"	the Shareholder(s) whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date and whose registered address(es) as shown on such register is(are) outside Hong Kong where, in the opinion of the Directors, the Offer Shares may not be offered to them without compliance with registration and/or other legal or regulatory requirements in such jurisdictions

"PRC"	the People's Republic of China
"Preference Share(s)"	'A' Preference Share(s) and 'B' Preference Share(s)
"Preference Shareholder(s)"	holder(s) of the Preference Share(s), whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date and who is (are) not entitled to subscribe for the Offer Shares by virtue of the difference in rights attached to the Shares and the Preference Shares
"Prospectus"	a prospectus to be issued by the Company in relation to the Open Offer
"Prospectus Documents"	the Prospectus together with the provisional allotment letter in respect of the Offer Shares
"Qualifying Shareholder(s)"	Shareholder(s), other than the Overseas Shareholder(s), whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date and whose address(es), as shown on such register of members of the Company, is(are) in Hong Kong
"Record Date"	28 November 2003, being the date by reference to which entitlements under the Open Offer will be determined
"Repurchase Mandate"	the proposed general mandate to be sought at the EGM to authorise the Directors to repurchase Shares in the manner set out in resolution no. 3 in the notice of EGM included in this circular
"SFC"	The Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.10 each in the ordinary share capital of the Company

"Shareholder(s)"	holder(s) of the Share(s) in issue
"Significant Shareholders"	Allied Luck, Canasia and Sparkle Power, holding an aggregate of approximately 23.38% of the issued ordinary share capital of the Company as at the Latest Practicable Date
"Sparkle Power"	Sparkle Power Technology Limited, a company incorporated in the British Virgin Islands with limited liability and owned as to 50% by Ms. Loh and as to the remaining 50% by Mr. Ko, and holding approximately 3.97% of the Company's issued ordinary share capital as at the Latest Practicable Date
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Underwriters"	Allied Luck and Ace Solomon, being the underwriters of the Open Offer
"Underwriting Agreement"	the underwriting agreement dated 17 October 2003 entered into between the Company, Allied Luck and Ace Solomon in relation to the Open Offer
"HK$"	Hong Kong Dollar, the lawful currency of Hong Kong
"%"	per cent.

GOLDBOND GROUP HOLDINGS LIMITED

金榜集團控股有限公司

(incorporated in Hong Kong with limited liability)

Executive Directors:
Mr. Wong Yu Lung, Charles
Mr. Ko Po Ming
Ms. Loh Jiah Yee, Katherine
Mr. Lan Ning
Mr. Kee Wah Sze

Independent non-executive Directors:
Mr. Ma Ho Fai
Mr. Zhang Xiao Shu

Registered and principal office:
Unit 3902A, 39th Floor, Tower 1
Lippo Centre
89 Queensway
Hong Kong

12 November 2003

To the Shareholders and the Preference Shareholders

Dear Sir or Madam,

**OPEN OFFER TO
QUALIFYING SHAREHOLDERS OF NOT LESS THAN
1,325,952,000 OFFER SHARES
ON THE BASIS OF FOUR OFFER SHARES FOR EVERY
EXISTING SHARE HELD AT A SUBSCRIPTION PRICE OF HK$0.10 PER
OFFER SHARE PAYABLE IN FULL ON ACCEPTANCE**

INTRODUCTION

As disclosed in the Announcement, the Company proposed to raise approximately HK$132.6 million before expenses by issuing not less than 1,325,952,000 Offer Shares and not more than 1,335,072,024 Offer Shares at a price of HK$0.10 per Offer Share by way of the Open Offer, payable in full on application on the terms set out below. The Company will provisionally allot the Offer Shares to the Qualifying Shareholders on the basis of four Offer Shares for every Share held by the Qualifying Shareholders as at the Record Date. The Open Offer is not available to the Overseas Shareholders and the Preference Shareholders.

The purpose of this circular is to provide you with further information regarding, among other matters, the Open Offer, and to set out the advice from Chateron to the Independent Board Committee in relation to the Open Offer, the recommendation of the Independent Board Committee to the Independent Shareholders and the notice of EGM.

DETAILS OF THE OPEN OFFER

Details of the Open Offer are set out below:

Issue statistics

Basis of the Open Offer	:	Four Offer Shares for every existing Share held by each Qualifying Shareholder as at the Record Date at a subscription price of HK$0.10 per Offer Share
Number of Shares in issue	:	331,488,000 Shares as at the Latest Practicable Date
Minimum number of Offer Shares	:	1,325,952,000 Offer Shares
Maximum number of Offer Shares	:	1,335,072,024 Offer Shares *(Note)*

Note: The number of the issued Shares may be increased to 333,768,006 Shares on or before the Record Date as a result of the issue of 1,333,336 new Shares and 946,670 new Shares upon the exercise of the conversion rights attached to the outstanding 'A' Preference Shares and 'B' Preference Shares respectively up to the applicable conversion limit as at the Record Date.

Save for the Preference Shares, as at the Latest Practicable Date, there were no outstanding securities, options or warrants which were convertible into new Shares.

Qualifying Shareholders

The Company will send the Prospectus Documents to the Qualifying Shareholders only. The Prospectus will also be sent to the Overseas Shareholders and the Preference Shareholders for their information only.

To be qualified for the Open Offer, a Shareholder must:

- be registered as a member of the Shares on the Record Date; and
- have an address in Hong Kong which appears on the register of members of the Shares on the Record Date.

At the Latest Practicable Date, the Company has 68,400,000 Preference Shares in issue, the respective holders of which, who are independent third parties not connected with the chief executive, directors or substantial shareholders of the Company and/or their respective associates and parties acting in concert with any of them, are entitled to convert into an aggregate of 2,280,006 Shares prior to the Record Date. Assuming full exercise of the applicable conversion rights attaching to the Preference Shares, there would be an aggregate of 333,768,006 Shares in issue as at the Record Date.

In order to be registered as Shareholders on the Record Date, all transfers of Shares (together with the relevant Share certificates) must be lodged with the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Rooms 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong by not later than 4:00 p.m. on Tuesday, 25 November 2003.

In order to be qualified for the Open Offer, the Preference Shareholders must lodge the conversion notice together with the relevant exercise monies with the Company's registered office by 4:00 p.m. on Tuesday, 25 November 2003.

The invitation to apply for the Offer Shares and the related provisional allotment are neither transferable nor receivable, and there will not be any trading in nil-paid entitlements of the Offer Shares on the Stock Exchange.

The Company will send the provisional allotment letters in respect of the Offer Shares to the Qualifying Shareholders only.

Closure of register of members

The register of members of the Company will be closed from Wednesday, 26 November 2003 to Friday, 28 November 2003 (both dates inclusive). No transfer or issue of Shares will be registered during this period.

Subscription price for the Offer Shares

The subscription price is HK$0.10 per Offer Share payable in full upon acceptance of the provisional allotments under the Open Offer. The subscription price represents:

- a discount of approximately 67.21% to the closing price of HK$0.305 per Share as quoted on the Stock Exchange on 16 October 2003 (being the last trading day immediately preceding the Announcement);

- a discount of approximately 74.81% to the average closing price of HK$0.397 per Share based on the daily closing prices as quoted on the Stock Exchange over the last 10 trading days up to and including 16 October 2003 (being the last trading day immediately preceding the Announcement);

- a discount of approximately 29.08% to the theoretical ex-entitlement price of approximately HK$0.141 per Share based on the closing price per Share as quoted on the Stock Exchange on 16 October 2003 (being the last trading day immediately preceding the Announcement);

- a discount of approximately 74.36% to the closing price of HK$0.390 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- a discount of approximately 36.71% to the theoretical ex-entitlement price of approximately HK$0.158 per Share based on the closing price per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The subscription price was determined after arm's length negotiations between the Company and the Underwriters, with reference to the market price of the Shares and also to other factors such as liquidity of the Shares, the par value of the Shares of HK$0.10 each which sets the minimum price for subscription of new Shares, and the fact that there are no force majeure provisions in the Underwriting Agreement and the Company is not required to pay any underwriting commission to the Underwriters. The Directors consider that the discount of the subscription price to the market price of the Shares is in line with that of other recent rights issues and/or open offers of listed securities in Hong Kong and such subscription price is fair and reasonable so far as the Company and the Shareholders as a whole are concerned.

Status of the Offer Shares

The Offer Shares (when issued, allotted and fully-paid) will rank pari passu with the then issued Shares in all respects. Holders of the fully-paid Offer Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid by reference to a record date falling after the date of issue and allotment of the Offer Shares.

Offer Shares are expected to be traded in board lots of 10,000 Shares. Dealings in the Offer Shares will be subject to the payment of the applicable stamp duty, Stock Exchange trading fee, the SFC transaction levy or any other applicable fees and charges in Hong Kong.

Entitlements of the Overseas Shareholders

If on the Record Date, a Shareholder's address on the Company's register of members of Shares is at a place outside Hong Kong, such Shareholder will not be eligible to take part in the Open Offer, as the Prospectus Documents will not be registered under the applicable securities laws or regulations of any jurisdiction other than Hong Kong. The issue of Offer Shares to an Overseas Shareholder may therefore contravene the applicable securities laws or rules of the place of residence of such Overseas Shareholder. Accordingly, the Overseas Shareholders will not be qualified for the Open Offer. The Company will send the Prospectus to the Overseas Shareholders for their information only. The Company will not send the provisional allotment letters for Offer Shares to the Overseas Shareholders. The Offer Shares to which the Overseas Shareholders would otherwise have been entitled under the Open Offer will be taken up by the Underwriters.

Fractions of Offer Shares

According to the basis of the Open Offer, there will not be any allotment of fractions of the Offer Shares.

Shares certificates

Subject to the fulfilment of the conditions of the Open Offer, certificates for all the fully-paid Offer Shares are expected to be posted to those who have been accepted and paid for the Offer Shares at their own risk on or before Monday, 22 December 2003.

No application for excess Offer Shares

After arm's length negotiation with the Underwriters, the Company decided that no Qualifying Shareholder is entitled to apply for any Offer Shares which are in excess to its entitlements.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Offer Shares.

Underwriting Agreement

Date:	17 October 2003
Underwriters:	Allied Luck, which is owned as to 50% by Mr. Wong and as to the remaining 50% by Mrs. Wong; and Ace Solomon, which is owned as to 11% by Mr. Wong, as to 46% by Mr. Kee and as to 43% by Ms. Loh
Total number of Offer Shares underwritten:	a maximum of 1,015,920,000 Offer Shares (assuming that no Preference Shares are converted prior to the Record Date) or a maximum of 1,025,040,024 Offer Shares (assuming that the Preference Shares are fully converted up to the applicable conversion limit prior to the Record Date)
Number of Offer Shares underwritten by Allied Luck:	a maximum of 309,275,100 Offer Shares (other than those Offer Shares to which Allied Luck, Canasia and Sparkle Power are entitled under the Open Offer as Qualifying Shareholders)

Number of Offer Shares underwritten by Ace Solomon:	all other Offer Shares (other than those Offer Shares to which Allied Luck, Canasia and Sparkle Power are entitled under the Open Offer as Qualifying Shareholders) which are not underwritten by Allied Luck, amounting to a maximum of 706,644,900 Offer Shares (assuming no Preference Shares are converted prior to the Record Date) or 715,764,924 Offer Shares (assuming the Preference Shares are fully converted up to the applicable conversion limit prior to the Record Date)
Underwriting commission:	Nil

Undertaking by the Significant Shareholders

As at the Latest Practicable Date, the Significant Shareholders in aggregate hold 77,508,000 Shares, representing approximately 23.38% of the Company's existing issued ordinary share capital. Each of the Significant Shareholders has irrevocably undertaken to the Company that the Shares beneficially owned by each of them will remain registered in its respective name from the date of the Announcement up to the Record Date, and each of them has also undertaken to subscribe or provide subscribers for its provisional entitlements in full, in aggregate amounting to 310,032,000 Offer Shares.

The Offer Shares (other than those Offer Shares for which the Significant Shareholders have irrevocably undertaken to subscribe) will be underwritten firstly by Allied Luck up to 309,275,100 of such Offer Shares and secondly by Ace Solomon as to the remaining of such Offer Shares, so that all such Offer Shares shall be fully underwritten by the Underwriters on an aggregate basis.

In the event that the Underwriters are called upon to fulfil their underwriting obligations under the Underwriting Agreement in full, the aggregate shareholding of the Underwriters, namely Allied Luck and Ace Solomon, together with parties acting in concert with them (including Canasia and Sparkle Power) in the issued ordinary share capital of the Company as enlarged by the Open Offer would be increased from approximately 23.38% to approximately 84.68% (assuming no Preference Shares are converted prior to the Record Date) or approximately 84.64% (assuming the Preference Shares are fully converted up to the applicable conversion limit prior to the Record Date).

Shareholding structure

Upon completion of the Open Offer, the shareholding structure of the Company will be as follows:

	Existing structure		Immediately after completion of the Open Offer (assuming that the Underwriters have to fulfil their obligations in full and no conversion of the Preference Shares prior to the Record Date)		Immediately after completion of the Open Offer (assuming that the Underwriters have to fulfil their obligations in full and full conversion of the Preference Shares up to the applicable limit prior to the Record Date)	
	No. of Shares	*%*	*No. of Shares*	*%*	*No. of Shares*	*%*
Allied Luck *(Note)*	37,591,380	11.34	187,956,900	11.34	187,956,900	11.26
Allied Luck (as Underwriter)	—	—	309,275,100	18.66	309,275,100	18.53
Canasia	26,740,260	8.07	133,701,300	8.07	133,701,300	8.01
Sparkle Power	13,176,360	3.97	65,881,800	3.97	65,881,800	3.95
Ace Solomon	—	—	706,644,900	42.64	715,764,924	42.89
Sub-total	77,508,000	23.38	1,403,460,000	84.68	1,412,580,024	84.64
Preference Shareholders	—	—	—	—	2,280,006	0.14
Public shareholders	253,980,000	76.62	253,980,000	15.32	253,980,000	15.22
Total	**331,488,000**	**100.00**	**1,657,440,000**	**100.00**	**1,668,840,030**	**100.00**

Note: with respect to its own entitlement under the Open Offer

Underwriting fee

The Company shall pay to the Underwriters only such out-of-pocket and other expenses reasonably and properly incurred by the Underwriters in connection with the Underwriting Agreement. No underwriting commission will be paid by the Company to the Underwriters.

Termination of the Underwriting Agreement

If (i) any of the conditions to the Underwriting Agreement (including but not limited to the conditions to the Open Offer as set out in the section headed "Conditions of the Open Offer" below) are not fulfilled on or before 18 December 2003 or shall become incapable of being fulfilled on or before such time or date, or such later date as the Company and the Underwriters may agree in writing, or (ii) any of the terms of the Underwriting Agreement is breached, the Underwriters shall have the right to terminate the Underwriting Agreement by written notice upon which the obligations of the Underwriters and the Company under the Underwriting Agreement shall terminate and cease and no party shall have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement save in respect of any antecedent breach of any obligation under the Underwriting Agreement.

Although Allied Luck and Ace Solomon have no previous experience in underwriting securities, having considered factors such as the liquidity of the Shares, the size of the Open Offer and the fact that there are no force majeure provisions under the Underwriting Agreement and the Company is not required to pay any underwriting commission to the Underwriters, the Directors are of the view that the entering into of the Underwriting Agreement with the Underwriters is beneficial to the Company and the Shareholders as a whole.

Conditions of the Open Offer

The Open Offer is conditional upon, among other things, each of the following events:

(i) the approval of the Open Offer by the Independent Shareholders at the EGM;

(ii) the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Offer Shares;

(iii) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional in accordance with its terms;

(iv) the filing and registration of all relevant documents with the Registrar of Companies in Hong Kong; and

(v) compliance with all legal and regulatory requirements (including but not limited to approval of shareholders of the Company) (if any) in respect of the Open Offer.

Neither the Company nor the Underwriters may waive the conditions (i), (ii), (iv) and (v) above. Only the Underwriters have the right to waive condition (iii) above.

Reasons for the Open Offer and the use of proceeds

The Group is principally engaged in property investment and other investments in Hong Kong and the PRC. The audited consolidated net asset value of the Group as at 31 March 2002 and 31 March 2003 were approximately HK$127,075,000 and HK$135,491,000 respectively. The audited consolidated net loss of the Group for the two years ended 31 March 2003 were approximately HK$78,965,000 and HK$71,962,000 respectively.

The Group is aiming to diversify its sources of income and further develop its existing business. At this juncture, the Group is exploring various business opportunities. The Directors consider that the Open Offer will enable the Group to raise funds to improve its financial position and to finance any future investment opportunities that may arise. The Company has been in negotiations in relation to possible property investments in the PRC which the Directors believe would enhance the Group's earnings and would generate attractive returns on investment for the Company. No formal agreement has been entered into and no definitive timetable has been set yet. Formal agreements regarding these possible investments may or may not be entered into. Moreover, as the Open Offer allows Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company and participate in the future growth and development of the Company, the Directors consider that it is in the interests of the Company and its Shareholders as a whole to raise capital through the Open Offer.

The net proceeds of the Open Offer after deducting expenses are expected to be not less than approximately HK$131.7 million. The estimated amount of expense of the Open Offer is approximately HK$900,000. Though currently not earmarked for any specific purpose, the net proceeds are intended to be used as to approximately HK$100.0 million as funding for any potential future investments (including PRC property investments) and as to the remaining balance of approximately HK$31.7 million as general working capital of the Group. None of the net proceeds will be used for repayment of any existing loans of the Company.

The Company had announced to raise net proceeds of approximately HK$17.4 million by way of an open offer in November 2002. Such net proceeds were subsequently used to reduce part of the Company's indebtedness, which is in line with the intended use of such net proceeds as stated in the prospectus of the Company in relation to the open offer dated 13 December 2002. As at 31 March 2003, total indebtedness of the Group was approximately HK$206.5 million.

POSSIBLE MANDATORY CASH OFFER FOR THE SHARES

If, as a result of the taking up of the Offer Shares by Allied Luck and/or Ace Solomon under the Underwriting Agreement, Allied Luck, Ace Solomon and parties acting in concert with them acquire Shares such that their aggregate holding of voting rights in the Company is increased to 30% or more, Allied Luck, Ace Solomon and parties acting in concert with them will be required under Rule 26 of the Takeovers Code to make a general offer for the Shares and the Preference Shares other than those already held by Allied Luck, Ace Solomon and parties acting in concert with them. In such event, Goldbond Capital (Asia) Limited (formerly known as Asia Investment Capital Limited), on behalf of Allied Luck and Ace Solomon, will make an offer to acquire all the existing Shares and Preference Shares other than those already owned and/or agreed to be acquired by Allied Luck, Ace Solomon and/or parties acting in concert with them.

MAINTAINING THE LISTING STATUS OF THE COMPANY

It is the intention of Allied Luck and Ace Solomon that the listing of the Shares on the Stock Exchange should be maintained. Accordingly, Ace Solomon has undertaken to the Stock Exchange, in terms to be agreed with the Stock Exchange, to take appropriate steps as soon as practicable following the close of the Open Offer and the Cash Offer to ensure that such number of the Shares as may be required by the Stock Exchange are held by the public. The Stock Exchange has stated that, in the event that less than 25% of the Shares are in public hands following the closing of the Open Offer and the Cash Offer, or if the Stock Exchange believes that a false market exists or may exist in the Shares or that there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the Shares.

If the Company remains as a listed company, any future injections into or disposals of the Company will be subject to the provisions of the Listing Rules. Pursuant to the Listing Rules, the Stock Exchange has a discretion to require the Company to issue a circular to its shareholders where any acquisition or disposal by the Company is proposed, irrespective of the size of such acquisition or disposal and in particular where such acquisition or disposal represents a departure from the principal activities of the Group. The Stock Exchange also has the power pursuant to the Listing Rules to aggregate a series of acquisitions or disposals by the Company and any such acquisitions or disposals may, in any event, result in the Company being treated as a new applicant for listing and subject to the requirements for new applicants as set out in the Listing Rules.

BUSINESS REVIEW OF THE GROUP

The principal business of the Group is property investment and other investments in Hong Kong and the PRC. During the year ended 31 March 2003, turnover of the Group was mainly contributed by the rental income derived from its existing properties, Golden Plaza, No. 745-747 Nathan Road, Kowloon. Almost all of the total gross floor area of Golden Plaza has been rented.

For the year ended 31 March 2003, the Group recorded a net loss attributable to shareholders of approximately HK$71,962,000, which was mainly attributable to the provision for impairment in value of investment properties and other investments.

As at 31 March 2003, the Group had net assets value of approximately HK$135,491,000 and cash and bank balances of approximately HK$13,102,000.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Despite the gloomy economy in Hong Kong, Golden Plaza, being situated in Mongkok with an already established niche market, continues to provide satisfactory results. Looking ahead, occupancy rate of Golden Plaza is expected to remain high.

At the same time, the Board will continue to look for investment opportunities that have earning potentials, with an aim to diversify its sources of income and to develop its existing business. In particular, the Board will focus on the companies in Hong Kong and the PRC that either (i) have steady income and positive cashflow, or are in industries where the barrier of entry are relatively high; or (ii) are in fast growing industries.

It is the ultimate goal of the Board to make use of the Group's resources to maximise the value of the Company.

LISTING AND DEALINGS

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Offer Shares which may be issued pursuant to the Open Offer. Dealings in the Offer Shares are expected to commence on Wednesday, 24 December 2003. No part of the securities of the Group are listed or dealt in on any stock exchanges other than the Stock Exchange, nor is the listing of, or permission to deal in, the Company's securities on any other stock exchanges being or proposed to be sought.

Subject to the granting of listing of, and permission to deal in, the Offer Shares on the Stock Exchange, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Offer 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 date 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.

All necessary arrangements will be made to enable the Offer Shares be admitted into CCASS.

Dealings in the Offer Shares will be subject to payment of stamp duty in Hong Kong.

GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

At the annual general meeting of the Company on 29 August 2003, general mandates were given to the Directors to exercise the powers of the Company to allot, issue and deal with Shares representing not more than 20% of the then issued ordinary share capital of the Company and to repurchase Shares representing not more than 10% of the then issued ordinary share capital of the Company. As at 29 August 2003, 331,488,000 Shares were in issue. In view of the expected increase of the issued share capital of the Company following the Open Offer, the Directors propose to renew the general mandates to issue and repurchase the Shares.

Subject to the Independent Shareholders' approval of the Open Offer at the EGM, a resolution will be put to the Shareholders at the EGM to approve the granting of the General Mandate to the Directors to allot, issue and deal with Shares representing not more than 20% of the issued ordinary share capital of the Company as enlarged by the issue of the new Shares pursuant to the Open Offer. The General Mandate will remain effective until (i) the conclusion of the Company's next annual general meeting; (ii) the expiration of the period within which the next annual general meeting of the Company is required to be held by any applicable law or the articles of association of the Company; or (iii) until revoked by an ordinary resolution of the Shareholders, whichever occurs first.

Subject to the Independent Shareholders' approval of the Open Offer at the EGM, a resolution will also be put to the Shareholders at the EGM to approve the granting of the Repurchase Mandate to the Directors for repurchase by the Company on the Stock Exchange of up to 10% of the aggregate amount of the issued ordinary share capital of the Company as enlarged by the issue of new Shares pursuant to the Open Offer. This Repurchase Mandate will remain effective until (i) the conclusion of the Company's next annual general meeting; (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law or the articles of association of the Company to be held; or (iii) until revoked or varied by an ordinary resolution of the Shareholders, whichever occurs first.

An explanatory statement as required by the relevant provisions of the Listing Rules concerning the regulation of repurchases by companies of their own securities on the Stock Exchange is set out in appendix II to this circular.

EXTRAORDINARY GENERAL MEETING

A notice convening the EGM to be held at 10:00 a.m. on 28 November 2003 is set out on pages 101 to 105 of this circular. At the EGM, ordinary resolutions will be proposed to approve (i) the Open Offer; and (ii) the General Mandate and the Repurchase Mandate.

There is a form of proxy for use at the EGM accompanying this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the form of proxy accompanying this circular to the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Rooms 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the EGM. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting should you wish to do so.

As at the Latest Practicable Date, the Significant Shareholders, namely Allied Luck, Canasia and Sparkle Power, held an aggregate of 77,508,000 Shares representing approximately 23.38% of the issued ordinary share capital of the Company. The Significant Shareholders and their associates will abstain from voting on the resolution to approve the Open Offer at the EGM.

RECOMMENDATION

The text of a letter to the Independent Shareholders from the Independent Board Committee, containing its recommendation in relation to the Open Offer, is set out in this circular. Having considered the advice from Chateron, the independent financial adviser to the Independent Board Committee in relation to the Open Offer, which is set out in this circular, the Independent Board Committee is of the opinion that the Open Offer is in the overall interests of the Company and the Shareholders and the terms of the Open Offer are fair and reasonable so far as the Shareholders as a whole are concerned.

FURTHER INFORMATION

Subject to, among other matters, the Independent Shareholders' approval of the Open Offer at the EGM, it is expected that the Prospectus Documents will be despatched to the Qualifying Shareholders on Friday, 28 November 2003.

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

Yours faithfully
By Order of the Board
Goldbond Group Holdings Limited
Lam Kwok Wah
Company Secretary

GOLDBOND GROUP HOLDINGS LIMITED
金榜集團控股有限公司

(incorporated in Hong Kong with limited liability)

12 November 2003

To the Independent Shareholders

Dear Sir or Madam,

THE OPEN OFFER

We refer to the circular of Company dated 12 November 2003 (the "Circular"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed as the Independent Board Committee to advise you on whether or not the terms of the Open Offer are fair and reasonable so far as the Shareholders as a whole are concerned. Chateron has been appointed to advise the Independent Board Committee in relation to the Open Offer.

We wish to draw your attention to the letter from the Board set out on pages 6 to 19 of the Circular and the letter of advice from Chateron to the Independent Board Committee set out on pages 21 to 54 of the Circular.

Having considered the terms and conditions of the Open Offer, the advice of Chateron and the other principal factors contained in the letter from the Board, we are of the opinion that the terms and conditions of the Open Offer are fair and reasonable so far as the Shareholders as a whole are concerned and are in the overall interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution approving the Open Offer as set out in the notice convening the EGM on pages 101 to 105 of the Circular.

Yours faithfully,
Ma Ho Fai Zhang Xiao Shu
Independent Board Committee

CHATERON
CORPORATE FINANCE LIMITED
華夏融資有限公司
SUITE 20B, 20TH FLOOR,
9 QUEEN'S ROAD CENTRAL, HONG KONG
TEL: (852) 2868 2828 FAX: (852) 2868 0390

12 November 2003

The Independent Board Committee
Goldbond Group Holdings Limited
Unit 3902A
39th Floor
Tower 1
Lippo Centre
89 Queensway
Hong Kong

Dear Sirs,

PROPOSED OPEN OFFER

INTRODUCTION

We refer to the announcement (the "**Announcement**") issued by Goldbond Group Holdings Limited (the "**Company**") dated 22 October 2003 in respect of, inter alia, the Open Offer (as such capitalised term is defined in the Announcement). Details of, inter alia, the terms and conditions of the Open Offer are set out in a circular issued by the Company to its shareholders dated 12 November 2003 (the "**Circular**"), of which this letter forms part. Capitalized terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context herein otherwise requires.

As referred to in the letter from the Board as set out on pages 6 to 19 of the Circular, (i) the Significant Shareholders who comprise Allied Luck, Canasia and Sparkle Power, are collectively beneficially interested in approximately 23.38% of the Company's issued ordinary share capital as at the Latest Practicable Date; and (ii) Allied Luck and Ace Solomon are the Underwriters for the Open Offer. Allied Luck is a company controlled by Mr Wong, a Director, and his spouse who is an associate of Mr Wong as defined in the Listing Rules. Canasia is a company wholly owned by Mr Kee, a Director. Sparkle Power is a company owned equally by Ms Loh and Mr Ko, both being Directors. Ace Solomon is a company owned by Mr Wong, Mr Kee and Ms Loh. Therefore, by virtue of (i) the shareholdings of Mr Wong in Allied Luck and Ace Solomon; (ii) the shareholdings of Mr Kee in Canasia and Ace Solomon; and (iii) the shareholdings of Ms Loh in Sparkle Power and Ace Solomon, the Significant Shareholders are deemed to be interested in the underwriting arrangements under the Open Offer. Therefore, the Open Offer is conditional upon, inter alia, the approval of the Independent Shareholders at the EGM.

The Independent Board Committee comprising Messrs Ma Ho Fai and Zhang Xiao Shu, being independent non-executive Directors, has been established by the Company to advise the Independent Shareholders in relation to the terms and conditions of the Open Offer. We, Chateron, have been appointed by the Company to advise the Independent Board Committee in relation to the terms and conditions of the Open Offer. This letter contains our advice to the Independent Board Committee as to whether or not (i) the terms and conditions of the Open Offer are in the overall interests of the Company and the Independent Shareholders; and (ii) the Independent Board Committee should recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM in relation to the Open Offer.

In formulating our opinion and recommendation to the Independent Board Committee in relation to the Open Offer, we have relied on the accuracy of the information and representations contained in the Circular which have been provided to us by the Directors and which the Directors consider to be complete and relevant. We have assumed that all statements, information and representations made or referred to in the Circular, for which the Directors are solely responsible, were true and correct in all respects at the time they were made and continued to be so as at the date of despatch of the Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due and careful enquiry and are based on honestly-held opinions. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and we have been advised by the Directors that no material facts have been omitted from the information and representations provided in and referred to in the Circular. We consider that we have received sufficient information to enable us to reach an informed view and to justify our reliance on the accuracy of the information and representations contained in the Circular and to provide a reasonable basis for our opinion and recommendation. We have no reason to suspect that any material information has been withheld by the Company or by the Directors. We have not, however, carried out any independent verification of the information provided to us by the Directors, nor have we conducted an independent in-depth investigation into the affairs of the Company and its subsidiaries.

In formulating our opinion and recommendation, we have not considered the tax consequences on the Shareholders as a result of the approval (or otherwise) of the Open Offer by the Independent Shareholders, since these are particular to the individual circumstances of any Shareholder. It is emphasized that we will not accept responsibility for any tax effects on or liabilities of any person resulting from the approval (or otherwise) of the Open Offer by the Independent Shareholders. In particular, any Shareholder who is in any doubt about his/her own tax position in connection with the Open Offer should consult his/her own professional adviser(s).

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee in relation to the terms and conditions of the Open Offer, we have considered the principal factors and reasons set out below:–

1. Business review and prospects of the Group

Business review

The Group is principally engaged in property investment and other investments in Hong Kong and the PRC. Set out below is a summary of the Group's audited financial results performances during the past three financial years ended 31 March 2003:–

	Year ended 31 March		
	2003	**2002**	**2001**
	HK$'000	*HK$'000*	*HK$'000*
Turnover – rental income	23,175	23,051	23,203
Operating (loss)	(55,170)	(43,385)	(930,420)
Year-on-year increase/(decrease) (%)	*27.2%*	*(95.3%)*	*n/a*
(Loss) after taxation	(71,962)	(78,965)	(1,124,387)
(Loss) attributable to the Shareholders	(71,962)	(78,965)	(1,124,387)
Reported (loss) per share (HK$)	(0.02)	(0.04)	(2.78)

During the three financial years ended 31 March 2003, the Group derived its turnover from the rental income generated by its investment properties in Hong Kong. The Group's investment properties which were leased out during the three financial years ended 31 March 2003 are various retail shop units in Golden Plaza, a commercial podium situated in Mongkok, Kowloon, which generated rental income to the Group during the three financial years ended 31 March 2003. The Group has a residential property situated in Shanghai Street, Kowloon which was in vacant possession during the three financial years ended 31 March 2003 and therefore did not generate any rental income to the Group during any of the three financial years ended 31 March 2003, and which continued to remain in vacant possession as the Latest Practicable Date. We were informed by the Directors that the Company is seeking to find a potential buyer for the residential property situated in Shanghai Street, Kowloon, which is considered by the Directors to be a non-performing asset of the Group.

The operating loss of approximately HK$43.4 million during the financial year ended 31 March 2002 decreased by approximately 95.3% when compared with the corresponding loss of approximately HK$930.4 million during the financial year ended 31 March 2001. We have enquired with and were informed by the Directors that the improvement in the Group's operating loss from 2001 to 2002 was attributable to the fact that (i) the Group recorded significant provisions for losses arising from its disposal of certain investments and property interests in the aggregate amount of approximately HK$591 million during the financial year ended 31 March 2001, which was a one-off disposal for reason of a debt restructuring exercise undertaken by the Group's previous management; and (ii) the loss on disposal of a property interest in the amount of approximately HK$339 million by the Group's previous management during the financial year ended 31 March 2001. The aforementioned transactions were of a one-off nature, which did not otherwise recur during any of the financial years ended 31 March 2002 and 31 March 2003.

The Group's operating loss of approximately HK$55.2 million during the financial year ended 31 March 2003 increased by approximately 27.2% when compared with the corresponding loss of approximately HK$43.4 million during the financial year ended 31 March 2002. We have enquired with and were informed by the Directors that the approximately 27% increase in the Group's operating loss from 2002 to 2003 was attributable to the fact that:–

(i) the Group incurred an impairment loss of approximately HK$60 million in respect of its 30% equity investment in a company which is engaged in the supply and trading of liquid petroleum gas in the PRC (the "**Investee Company**"). In this regard, we were further informed by the Directors that the entire amount of impairment loss of HK$60 million represents the consideration payable by the Group in acquiring its 30% equity interest in the Investee Company in August 2002, which was settled by way of an issue of 240 million new shares by the Company. The Company made the impairment loss in respect of its investment in the Investee Company, for reason that the original plan for the Investee Company to establish a business operation in Shandong province, the PRC was under review as at 31 March 2003 in light of the market conditions which prevailed at that time; and

(ii) a revaluation deficit of approximately HK$15 million on the Group's investment properties in Hong Kong based on an independent professional valuation as at 31 March 2003.

We consider that the abovementioned impairment loss in the Investee Company and the revaluation deficit on investment properties during the financial year ended 31 March 2003 to be fair and reasonable, particularly in view of the outbreak of the Severe Acute Respiratory Syndrome (SARS) in Hong Kong and the PRC in March 2003 which generated an overall adverse impact on the business, economic and investment environments in Hong Kong and the PRC until SARS was brought under control by the end of June 2003.

Prospects

We noted that, as referred to in the Company's annual report and accounts for the financial year ended 31 March 2003, the Directors will continue to look for investment opportunities that have earnings potentials with an aim to diversify the Group's sources of income and to develop the Group's existing business. In particular, the Directors will focus on companies in Hong Kong and the PRC that either (i) have steady income and positive cashflow, or are in industries where the entry barriers are relatively high; or (ii) are in fast growing industries.

We concur with the Directors' view as referred to above, for reasons that during the past three financial years ended 31 March 2003, the Group predominantly derived its revenue from rental income generated by its investment properties in Hong Kong. Such rental income amounted to approximately HK$23 million year-on-year during the past three financial years ended 31 March 2003, but with hardly any growth year-on-year. We also consider that given the outbreak of SARS was brought under control in Hong Kong and the PRC as at the Latest Practicable Date, the economic and investment market sentiments in Hong Kong and the PRC are poised for recovery. Therefore, we are of the view that it would now be the opportune time for the Group to seek business diversifications, by identifying suitable investment opportunities and for which the Group may be able to acquire at possibly attractive consideration values by reason of the post-SARS recovery in the economic and investment market sentiments in Hong Kong and the PRC as discussed above. We also concur with the Directors' objective to identify investment opportunities which generate steady income and positive cashflow, or are in industries where the entry barriers against competitors are relatively high or are in fast growing industries, since these are investment criteria which offer maximum protection and growth potentials to the Group's revenue and earnings and are therefore in the interests of the Company and the Shareholders (including the Independent Shareholders) as a whole.

2. Reasons for the Open Offer

As referred to in the paragraph headed "Business review and prospects of the Group" above, we noted that the Group predominantly derived its revenue from rental income generated by its investment properties in Hong Kong. Such rental income amounted to approximately HK$23 million year-on-year during the past three financial years ended 31 March 2003, but with hardly any growth year-on-year. Furthermore, during the financial year ended 31 March 2003, the rental income received by the Group was approximately HK$23.2 million which represented approximately 90% of the Group's total revenue of approximately HK$25.7 million during the financial year then ended. Therefore, we consider that the Group's revenue source is heavily reliant on its rental income derived from its existing investment properties in Hong Kong.

On the other hand, based on an independent professional valuation, the Group's investment properties in Hong Kong were valued at approximately HK$335.8 million as at 31 March 2003. The aggregate market valuation of the Group's investment properties of approximately HK$335.8 million already represents about 93% of the Group's audited total assets of approximately HK$360.6 million as at 31 March 2003. Therefore, we also consider that the Group's asset structure predominantly comprises its investment properties in Hong Kong.

Based on the foregoing figures, the Group earned a yield of approximately 6.9% on its investment property interests during the financial year ended 31 March 2003. However, we were informed by the Directors that out of the Group's investment property interests in Hong Kong, (i) the existing tenancy leases of approximately 65% and 34% in number of retail shop units in Golden Plaza, Mongkok, Kowloon are due to expire within one year and two years, respectively, commencing from the Latest Practicable Date; and (ii) the residential property in Shanghai Street, Kowloon was in vacant possession as at the Latest Practicable Date. Therefore, we consider that although the rental income generated from the existing tenancies of the retail shop units in Golden Plaza may be able to sustain the Group's revenue during the course of the next one to two years, there is essentially a limit on the financial returns to the Shareholders if the Group's revenue source continues to be heavily reliant on rental yield from investment properties. On the other hand, the Group's success in procuring new tenants for the retail shop units in Golden Plaza, Mongkok, Kowloon upon the expiry of their existing tenancy leases and for the residential property in Shanghai Street, Kowloon are subject to the prevailing state of the economy and the prevailing market sentiment of the investment property sector in Hong Kong. Therefore, we consider that the Group's business risks are predominantly risks relating to the economy and the investment property sector in Hong Kong, and that it would be in the interests of the Company and the Shareholders for the Group to seek to diversify into other profitable business operations for reason that any unfavourable development in Hong Kong's economy and/or Hong Kong's investment property market sentiment will inevitably generate a direct unfavourable impact on the Group's financial results performance as well as the Group's growth and development potentials.

Therefore, based on the foregoing, we consider that there is a need for the Group to diversify its revenue source (which is heavily reliant on property investment income as at the Latest Practicable Date) and to further develop the Group's existing business by exploring various business opportunities, which we consider to be in the interests of the Company and the Shareholders (including the Independent Shareholders) as a whole.

3. Use of proceeds of the Open Offer

As referred to in the letter from the Board as set out on pages 6 to 19 of the Circular, the net proceeds (after expenses) of the Open Offer is estimated to be not less than approximately HK$131.7 million, out of which the Group intends that approximately HK$100 million will be used for funding any potential future investments (including PRC property investments) by the Group and that the remaining balance of approximately HK$31.7 million will be used as the Group's general working capital. The Directors also confirm that although the Company has been in negotiations in relation to possible property investments in the PRC, no formal agreement has been entered into by the Company, no definitive timetable has been set by the Company and that formal agreements regarding these possible property investments in the PRC may or may not be entered into by the Company. Furthermore, none of the net proceeds of the Open Offer will be used for repayment of any existing loans of the Company.

3.1 Regarding an allocation of approximately HK$100 million of the net proceeds of the Open Offer for funding any potential future investments (including PRC property investments)

We noted that the Group intends to designate approximately HK$100 million for the purpose of funding any potential future investments, including PRC property investments. In this regard, we were informed by the Directors that although the Company has been in negotiations in relation to possible property investments in the PRC, no formal agreement has been entered into by the Company as at the Latest Practicable Date and that formal agreements may or may not be entered into by the Company in relation to such investments. Therefore, we are unable to evaluate any possible investment opportunities in PRC investment properties which the Directors have identified but are yet still under negotiations as at the Latest Practicable Date, and the Directors are unable to provide us with any information on such possible investment targets for our evaluation purpose due to confidentiality reasons. Nevertheless, we noted that as referred to in the letter from the Board as set out on pages 6 to 19 of the Circular, the Directors believe that such PRC property investments, if proceeded with by the Group, would enhance the Group's earnings and would generate attractive returns on investment for the Company. In this regard, we have performed an overall appraisal of the PRC investment property sector by evaluating the reported historical financial returns demonstrated by listed companies on the Stock Exchange which are predominantly engaged in property investments in the PRC, as set out below:–

	Percentage of the net book value of investment properties as a weighting to the total net book value of the company's property portfolio	Reported rental income derived from investment properties(A)	Reported net book value of investment properties(B)	Historical rental yield from investment property interests (A)/(B)	Market capitalization as at the Latest Practicable Date	Share price as at the Latest Practicable Date	Last reported net asset value per share	(Discount) of share price as at the Latest Practicable Date to underlying net asset value per share	Last reported earnings/ (loss) per share	Price/ earnings multiple
	%	*(HK$'million)*	*(HK$'million)*	*(%)*	*(HK$'million)*	*(HK$)*	*(HK$)*	*(%)*	*(HK$)*	*(times)*
	(Note 1)	*(Note 2)*	*(Note 1)*				*(Note 1)*		*(Note 3)*	
New World China Land Limited	44%	141.7	1,629	8.7%	2,371	1.6	12.06	(86.7)	0.023	69.6
Tian An China Investments Limited	56%	12.8	319	4.0%	1,364	0.174	0.5	(65.2)	0.004	43.5
Henderson China Holdings Limited	99.5%	80.8	3,108	2.6%	1,863	3.75	15.15	(75.2)	(0.4)	n/a
Beijing North Star Company Limited	77%	46.9	572	8.2%	2,689	1.44	2.38	(39.5)	0.1	14.4
Shenzhen Investment Limited	75%	216.7	2,084	10.4%	2,678	1.1	1.34	(17.9)	0.0952	11.6
Average	**70.3%**			**6.8%**				**(56.9)**		**34.8**

Notes:

1. *As disclosed in the latest unaudited interim accounts which were last published and reported on by these companies.*

2. *Being annualized figures for the full financial year, based on the unaudited rental income for the latest interim six month period as last reported on by these companies.*

3. *Being annualized figures for the full financial year, based on the unaudited reported earnings/(loss) per share figure for the latest interim six month period as last reported on by these companies.*

Based on the above statistics, it can be noted that the listed companies on the Stock Exchange which are predominantly engaged in property investments in the PRC demonstrated an average historical investment property rental yield generated from their investment property portfolio of about 6.8% per annum. We noted that the investment property portfolio of the listed companies as referred to in the table above are located in the metropolitan cities in the PRC, such as Beijing, Shanghai, Tianjin, Guangzhou and Shenzhen where each of which has an active level of economic and business activities. Therefore, we consider that the average historical investment property rental yield of approximately 6.8% per annum as referred to above constitutes a market indicator of the prevailing level of returns being offered by the PRC investment property sector in the PRC metropolitan cities.

Nevertheless, we noted that under the implementation of the Closer Economic Partnership Arrangement (CEPA) between the governments of Hong Kong and the PRC in August 2003, certain business sectors from overseas territories (including Hong Kong) are eligible to enjoy more relaxed licensing arrangements and operating requirements in the PRC. Accordingly, we consider that the implementation of CEPA will have the effect of, inter alia, boosting the level of business establishments from overseas territories (including Hong Kong) into the PRC market, particularly in the metropolitan cities of the PRC (such as Beijing, Shanghai, Tianjin, Guangzhou and Shenzhen) where their international identities will appeal to foreign business establishments. We consider that this will, in turn, consolidate and strengthen the financial returns for PRC property investment companies whose market focuses are on the metropolitan cities in the PRC (such as Beijing, Shanghai, Tianjin, Guangzhou and Shenzhen). Therefore, we have a positive view about the market outlook of the PRC investment property market, particularly in relation to the metropolitan cities in the PRC, in the long run.

We have enquired with and were informed by the Directors that if the Group were to proceed with investments in properties in the PRC, the Group will primarily target on investment property opportunities in the major provinces in the PRC with particular focus on metropolitan cities located therein. In this regard, we were informed by the Directors that as far as property investments are concerned, the Group will primarily focus on the Hong Kong and PRC markets in view of the fact that the Directors are more familiar with the Hong Kong and PRC property market conditions than those of the other overseas property markets. Therefore, although we noted that the market indicator of the prevailing level of returns offered by the PRC investment property sector in the PRC metropolitan cities of approximately 6.8% per annum is generally very comparable with the historical rental yield generated by the Group's investment property in Hong Kong of approximately 6.9% during the financial year ended 31 March 2003, we consider that the Group is likely to benefit from attractive financial returns by participating in the PRC investment property market due to our evaluation of a positive market outlook of the PRC investment property sector, particularly regarding those investment property opportunities in the metropolitan cities in the PRC, in the long run. Furthermore, we consider that if the Group were unable to seek new tenants for its retail shop units in Golden Plaza, Mongkok, Kowloon upon the expiry of their existing tenancy leases during the course of the next one to two years and/or to dispose of its residential property in Shanghai Street, Kowloon (which is in vacant possession as at the Latest Practicable Date), any rental income to be derived by the Group from its potential PRC property investments (if proceeded with) would be able to replenish any shortfalls in the rental income generated from the Group's investment properties in Hong Kong.

3.2 Regarding an allocation of the remaining balance of approximately HK$31.7 million of the net proceeds of the Open Offer for the Group's general working capital

Based on our review of the Company's annual report and accounts for the financial year ended 31 March 2003, we noted the Group's financial position as follows:–

(i) the Group reported audited net losses attributable to Shareholders for a consecutive period of the past five financial years ended 31 March 2003 of approximately HK$8.4 million, HK$52.3 million, HK$1,124.4 million, HK$79.0 million and HK$72.0 million, respectively;

(ii) the Group's reported audited net loss attributable to Shareholders of approximately HK$72.0 million during the financial year ended 31 March 2003 included interest costs on bank loans and other borrowings of approximately HK$12.8 million, which represents an approximately 18% weighting of the Group's net loss for the financial year then ended;

(iii) the Group had aggregate free cash balances of approximately HK$13.1 million as at 31 March 2003, which represents approximately 9.7% of the Company's audited consolidated net assets of approximately HK$135.5 million as at 31 March 2003;

(iv) the Group had audited net current liabilities of approximately HK$21.7 million as at 31 March 2003; and

(v) as referred to in the letter from the Board as set out on pages 6 to 19 of the Circular, the Group had total indebtedness (comprising interest-bearing bank loans, loans due to related companies and other borrowings) of approximately HK$206.5 million as at 31 March 2003 which was re-financed to become approximately HK$207.6 million as at 31 October 2003 (as referred to in sub-paragraph 3.3 below), which figures represent a gearing ratio of approximately 1.5 times of the Company's audited consolidated net assets of approximately HK$135.5 million as at 31 March 2003.

Therefore, based on the Group's financial position as discussed above, we are of the view that the Group's historical financial results performances were consistently unfavourable during the five financial years ended 31 March 2003, and that the Group operates under limited financial resources, a tight liquidity as well as an over-geared position. Therefore, we consider that if the Company were able to derive additional working capital of approximately HK$31.7 million from part of the proceeds of the Open Offer, then the Group will have the benefit of being able to (i) alleviate its existing financial pressures; and (ii) derive additional funding for the purpose of acquiring appropriate investment opportunities which may enhance the earnings and cashflows of the Group, which we consider to be in the interests of the Company and the Shareholders (including the Independent Shareholders) as a whole.

3.3 None of the net proceeds of the Open Offer will be used for repayment of any existing loans of the Company

As referred to in the letter from the Board as set out on pages 6 to 19 of the Circular, the Group had total indebtedness of approximately HK$206.5 million as at 31 March 2003. A major part of the abovementioned indebtedness, being the Group's secured bank loan pledged against the Group's investment properties, in the amount of approximately HK$192 million was re-financed through the grant of a new bank loan facility in the amount of HK$200 million to the Group in June 2003. As at 31 October 2003 (being the latest practicable date on which the Group's aggregate indebtedness can be established for the purpose of this letter), the Group's total indebtedness amounted to approximately HK$207.6 million. None of the net proceeds of the Open Offer will be used for repayment of any existing loans of the Company.

We were informed by the Directors that the Group's aggregate outstanding indebtedness of approximately HK$207.6 million as at 31 October 2003, as referred to above, comprises the followings:

	Repayment due date	**Interest rate per annum** *(%)*	**Amount** *(HK$ million)*	**% of total** *(%)*
Amount due to a related company (unsecured)	27 February 2004	3.0%	11.7	5.6%
Bank loan (which is a 10-year secured term loan)				
Repayable within:				
One year	14 October 2004	Between 1%	12.5	6.0%
Two years	14 October 2005	and 1.28%	13.2	6.4%
Five years	14 October 2008	per annum	40.7	19.6%
Between five years and ten years	14 October 2013	*(Note 4)*	129.5	62.4%
Total			195.9	94.4%
The Group's total indebtedness as at 31 October 2003			**207.6**	**100%**

Note 4: The interest rate for the Company's secured bank loan is determined on the basis of every three months. In respect of repayment instalments in the first and second months, the interest rate will be determined on the basis on one-month Hong Kong Interbank Offering Rate (HIBOR) plus 0.8% per annum. In respect of repayment instalments in the third month, the interest rate will be determined on the basis of three-month HIBOR plus 0.8% per annum. Based on the one-month HIBOR of approximately 0.18% and the three-month HIBOR of approximately 0.48% as the Latest Practicable Date, the indicative interest rate for repayment instalments in the first and second months is approximately 1% and the indicative interest rate for repayment instalment in the third month is approximately 1.28%.

We were informed by the Directors that the amount due to a related company of approximately HK$11.7 million as at 31 October 2003 relates to an unsecured loan owing by the Group to a related company, whose directors are also Directors. Although we noted that this unsecured loan is repayable by the Group on or before 27 February 2004 (which is within four months from the Latest Practicable Date), we were informed by the Directors that it is possible for the Group to negotiate for an extension of the repayment date, if necessary, on the basis that the creditor is a company under common directorship with the Company. We consider that this is not an unreasonable expectation by the Directors, and therefore we concur with the Directors' view in this regard that there is no urgency for the Group to repay its unsecured debt due to a related company.

Furthermore, it can be seen from the repayment due dates of the Group's secured bank loan above that as at the Latest Practicable Date, there is no urgency for the Group to repay its outstanding bank loan for reason that approximately 6.0% (amounting to approximately HK$12.5 million) and 6.4% (amounting to approximately HK$13.2 million) of the total amount of secured bank loan of approximately HK$195.9 million are repayable by the Group within one and two years of the Latest Practicable Date, respectively. We were informed by the Directors that the Group's outstanding bank loan is secured, inter alia, against the Group's investment properties with a market valuation of approximately HK$335.8 million as at 31 March 2003 and the assignment of rental income derived therefrom, which amounted to approximately HK$23.2 million during the financial year ended 31 March 2003. Therefore, based on the foregoing, the aggregate value of the collateral pledged by the Group against its bank loan amounted to approximately HK$359 million as at 31 March 2003 which provides adequate coverage over and above the Group's outstanding bank loan of approximately HK$195.9 million as at 31 October 2003.

As can be seen from the table above, we noted that the interest cost for the Group's unsecured loan due to a related company is 3% per annum whilst the indicative interest cost for the Group's secured bank loan is between 1% and 1.28% per annum based on the one-month HIBOR and the three-month HIBOR as at the Latest Practicable Date. As referred to in sub-paragraph 3.1 above where we have evaluated that the market indicator of the prevailing level of returns being offered by the PRC investment property sector in the PRC metropolitan cities is in the region of 6.8% per annum or thereabouts, we consider that it would be in the interests of the Company and the Shareholders as a whole for the Group to designate the proceeds of the Open Offer for the purposes of PRC property investments in the PRC metropolitan cities, which are capable of generating a higher financial yield of 6.8% per annum or thereabouts to the Group, rather than to repay the Group's indebtedness which would result only in interest savings of between 1% and 3% per annum to the Group.

Therefore, on an overall basis, we are of the view that it is a fair and reasonable arrangement that none of the proceeds of the Open Offer will be used for repayment of any existing loans of the Company.

4. Terms of the Open Offer

As referred to in the letter from the Board as set out on pages 6 to 19 of the Circular, under the terms of the Open Offer, four Offer Shares will be provisionally allotted for every existing Share held by the Qualifying Shareholders on the Record Date, at a subscription price of HK$0.10 per Offer Share. The Offer Shares, when issued, allotted and fully paid, will rank pari passu with the then issued Shares in all respects and holders of the fully-paid Offer Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid by reference to a record date falling after the date of issue and allotment of the Offer Shares. The invitation to apply for the Offer Shares and their provisional allotments are neither transferable nor receivable, and there will not be any trading in nil-paid entitlements of the Offer Shares on the Stock Exchange. The Company will send the provisional allotment letters in respect of the Offer Shares to the Qualifying Shareholders only, and no Qualifying Shareholder is entitled to apply for any Offer Shares which are in excess of his/her entitlement.

Furthermore, as referred to in the letter from the Board as set out on pages 6 to 19 of the Circular, based on the terms of the Open Offer, not less than 1,325,952,000 Offer Shares (based on 331,488,000 Shares in issue as at the Latest Practicable Date and assuming that none of the conversion rights attaching to the Preference Shares shall be exercised on or before the Record Date) and not more than 1,335,072,024 Offer Shares (based on 333,768,006 Shares then in issue assuming that all of the conversion rights attaching to the Preference Shares shall be exercised on or before the Record Date) will fall to be issued under the Open Offer. At a subscription price of HK$0.10 per Offer Share (the "**Subscription Price**"), the gross proceeds (before expenses) of the Open Offer will range between approximately HK$132.6 million to HK$133.5 million. The Significant Shareholders comprising Allied Luck, Canasia and Sparkle Power, who are collectively beneficially interested in 77,508,000 Shares representing approximately 23.38% of the Company's issued ordinary share capital as at the Latest Practicable Date, have irrevocably undertaken to subscribe or procure subscribers for their provisional allotments in full which amount to 310,032,000 Offer Shares. Therefore, the remaining balance of the Offer Shares, which ranges between 1,015,920,000 Offer Shares (assuming that none of the conversion rights attaching to the Preference Shares shall be exercised on or before the Record Date) and 1,025,040,024 Offer Shares (assuming that all of the conversion rights attaching to the Preference Shares shall be exercised on or before the Record Date), are underwritten by the Underwriters pursuant to the Underwriting Agreement as further discussed in the paragraph headed "Underwriting arrangement" below.

The Subscription Price of HK$0.10 per Offer Share is equal to the nominal value of the Shares of HK$0.10, which is the minimum price level at which new Shares can be issued under the Companies Ordinance (to which the Company is subject as a company incorporated in Hong Kong with limited liability). The Subscription Price of HK$0.10 per Offer Share also represents:–

(i) a discount of approximately 67.2% to the closing price of the Shares of HK$0.305 on the Stock Exchange on 16 October 2003 (the "**Last Trading Day**", being the last trading day of the Shares on the Stock Exchange pending the release of the Announcement);

(ii) a discount of approximately 74.8% to the average closing price of HK$0.397 per Share during the period of 10 trading days up to and including the Last Trading Day;

(iii) a discount of approximately 74.4% to the closing price of the Shares of HK$0.39 on the Stock Exchange on the Latest Practicable Date;

(iv) a discount of approximately 29.1% to the theoretical ex-entitlement price of HK$0.141 per Share based on the closing price of the Shares of HK$0.305 on the Last Trading Day as referred to in (i) above;

(v) a discount of approximately 37.3% to the theoretical ex-entitlement price approximately HK$0.1594 per Share based on the average closing price of HK$0.397 per Share during the period of 10 trading days up to and including the Last Trading Day as referred to in (ii) above;

(vi) a discount of approximately 36.7% to the theoretical ex-entitlement price of HK$0.158 per Share based on the closing price of the Shares of HK$0.39 on the Latest Practicable Date as referred to in (iii) above.

In relation to the above, we have made reference to the pricing statistics of the rights issues and open offers which were announced by companies listed on the Stock Exchange (the "**Issuers**") during the period of the last 12 months prior to the Last Trading Day up to and including the Latest Practicable Date, a list of which is set out as follows:–

Date of announcement	Company	Category	Size of issue *HK$' million*	Rights issue/open offer price per share *HK$*	Term	Closing share price *HK$*	Theoretical ex-rights price/ ex-entitlement price *HK$*	(Discount)/ premium to closing share price *%*	(Discount)/ premium to theoretical ex-rights price/ ex-entitlement price *%*	Underwriter	Underwriting commission rate *%*
4 October 2002	UDL Holdings Limited	Rights issue	6.6	0.025	I rights share for every 2 existing shares	0.050	0.042	(50.0%)	(40.5%)	Commercial underwriter	2%
7 October 2002	e-Kong Group Limited	Rights issue	28.25	0.120	I rights share for every share held	0.2	0.160	(40.0%)	(25.0%)	Controlling shareholder	2%
9 October 2002	Can Do Holdings Limited	Open offer	18.4	0.01	I offer share for every 20 existing shares held	0.025	0.024	(60.0%)	(58.3%)	Commercial underwriter	2%
12 October 2002	iAsia Technology Limited	Rights issue	102	01.00	3 rights share for every 2 shares held plus 2 bonus shares for every 3 rights shares taken up	0.095	0.07	5.3%	42.9%	Commercial underwriter	2%
16 October 2002	Star Cruises Limited	Rights issue	1.172	1,950	7 rights shares for every 50 shares held	2.700	2.610	(27.8%)	(25.3%)	Commercial underwriter	2%
17 October 2002	New Century Group Hong Kong Limited	Rights issue	83.1	0.300	1 rights share for every 2 existing shares held	0.520	0.447	(42.3%)	(32.9%)	Commercial underwriter and controlling shareholder	2%
11 November 2002	Harmony Asset Limited	Rights issue	29.0	0.020	3 rights shares for every 2 existing shares held	0.054	0.034	(63.0%)	(41.2%)	Commercial underwriter	2%
19 March 2003	Enerchina Holdings Limited	Rights issue	109.0	0.020	3 rights shares for every 2 existing shares held	0.05	0.032	(60.0%)	(37.5%)	Controlling shareholders	2%
25 November 2002	Styland Holdings Limited	Rights issue	40.8	0.100	2 rights shares for every one existing share held	0.480	0.227	(79.2%)	(55.9%)	Commercial underwriters	2.5%
12 February 2003	Hon Kwok Land Investment Company Limited	Rights issue	200.0	1.000	3 rights shares for every 2 existing shares held	1.48	1.192	(32.4%)	(16.1%)	Substantial shareholder	2%
14 February 2003	Wing Lee Holdings Ltd	Rights issue	21.0	1.300	1 rights share for every 2 reorganised shares held	2.88	2.42	(47.9%)	(38.0%)	Controlling shareholder	2%
3 March 2003	renren Holdings Ltd	Rights issue	between 11.2 million and 12.1 million	0.018	1 rights share for every 1 existing share held	0.032	0.025	(43.8%)	(28.0%)	Commercial underwriters	2%
11 March 2003	Lai Fung Holdings Limited	Rights issue	76.8	0.100	1 rights share for every 5 existing shares held	0.13	0.125	(23.1%)	(20.0%)	Commercial underwriters	2.5%

Date of announcement	Company	Category	Size of issue *HK$' million*	Rights issue/open offer price per share *HK$*	Term	Closing share price *HK$*	Theoretical ex-rights price/ ex-entitlement price *HK$*	(Discount)/ premium to closing share price *%*	(Discount)/ premium to theoretical ex-rights price/ ex-entitlement price *%*	Underwriter	Underwriting commission rate *%*
19 March 2003	Pacific Challenge Holdings Limited	Rights issue	between 43.3 million and 47.7 million	0.300	1 rights share for every 2 existing shares held	0.37	0.347	(18.9%)	(13.5%)	Commercial underwriter	3%
24 March 2003	Bossini International Holdings Limited	Rights issue	56.6	0.220	1 rights shares for every 2 existing shares held	0.232	0.228	(5.2%)	(3.5%)	Major shareholder	–
5 May 2003	Yoshiya International Corporation, Limited	Rights issue	13.9	0.010	2 rights shares for every 1 existing share held	0.035	0.0183	(71.4%)	(45.4%)	Controlling shareholder and commercial underwriter	2%
6 May 2003	GR Investment International Limited	Open offer	32.4	0.100	3 offer shares for every 1 consolidated share held	0.27	0.1425	(63.0%)	(29.8%)	Controlling shareholder and commercial underwriters	1%
9 May 2003	Star Technology Company Limited	Rights issue	198.0	0.1125	3 rights share for every 1 existing share held plus 1 bonus share for every 3 rights shares subscribed	0.32	0.132	(64.8%)	(14.8%)	Substantial shareholder and commercial underwriter	2%
13 May 2003	Leaptek Limited	Rights issue	7.4	0.010	1 rights share for every 1 existing share held	0.07	0.04	(85.7%)	(75.0%)	Substantial shareholder	–
27 May 2003	LifeTec Group Limited	Rights issue	81.3	0.100	1 rights share for every 2 existing shares held	0.135	0.1233	(25.9%)	(18.9%)	Commercial underwriters	2%
29 May 2003	Oriental Union Holdings Limited	Rights issue	between 46 million and 53 million	0.300	1 rights share for every 1 existing share held	0.64	0.47	(53.1%)	(36.2%)	Commercial underwriters	2%
3 June 2003	Media Nation Inc.	Open offer	120.0	0.100	2 offer shares for every 1 existing share held	0.075	0.0917	33.3%	9.1%	Controlling shareholders	–
7 July 2003	Compass Pacific Holdings Limited	Open offer	67.0	0.106	1 offer share for every 2 existing shares held	0.28	0.222	(62.1%)	(52.3%)	Commercial underwriters	2%
15 July 2003	Xin Corporation Limited	Open offer	51.7	0.060	4 offer shares for every existing share held	0.158	0.0796	(62.0%)	(24.6%)	Commercial underwriters	2.5%
24 July 2003	Wo Kee Hong (Holdings) Limited	Rights issue	37.2	0.025	2 rights shares for every 5 existing shares and 3 bonus shares for every fully-paid rights share taken up	0.067	0.0296	(62.7%)	(15.5%)	Substantial shareholder and commercial underwriter	2.5%

Date of announcement	Company	Category	Size of issue	Rights issue/open offer price per share	Term	Closing share price	Theoretical ex-rights price/ ex-entitlement price	(Discount)/ premium to closing share price	(Discount)/ premium to theoretical ex-rights price/ ex-entitlement price	Underwriter	Underwriting commission rate
			HK$' million	*HK$*		*HK$*	*HK$*	*%*	*%*		*%*
1 August 2003	i100 Limited	Rights issue	14.1	1.000	1 rights share for every 2 consolidated shares held	0.88	0.92	13.6%	8.7%	Commercial underwriter	1%
1 August 2003	Matsunichi Communication Holdings Limited	Rights issue	339.4	1.000	2 rights shares for every 1 consolidated share held	1.5	1.167	(33.3%)	(14.3%)	Commercial underwriter	2.5%
11 August 2003	Melco International Development Limited	Rights issue	105.0	1.450	1 rights share for every 2 shares in issue	1.79	1.68	(19.0%)	(13.7%)	Commercial underwriter	2.5%
18 August 2003	MRC Holdings Limited	Rights issue	20.2	0.050	1 rights share for every 1 existing share held	0.052	0.051	(3.8%)	(2.0%)	Substantial shareholder	1.25%
1 September 2003	China Nan Feng Group Limited	Open offer	23.1	0.045	5 offer shares for every consolidated share held	0.36	0.0975	(87.5%)	(53.8%)	Substantial shareholder	2.5%
1 September 2003	Swank International Manufacturing Company Limited	Open offer	37.7	0.013	13 offer shares for every share held	0.2	0.026	(93.5%)	(50%)	Controlling shareholder	–
29 September 2003	CASH Financial Services Group Limited	Rights issue	62.9	0.25	2 rights shares for every share held	1.07	0.52	(76.6%)	(51.9%)	Controlling shareholder	–
17 October 2003	Star Cruises Limited	Rights issue	between 779 million and 783 million	2.25	7 rights shares for every 100 shares held	2.50	2.484	(10.0%)	(9.4%)	Commercial underwriter	2%
23 October 2003	FT Holdings International Limited	Open offer	between 86 million and 88 million	0.04	5 offer shares for every share held	0.064	0.044	(37.5%)	(9.1%)	Commercial underwriter	6%
29 October 2003	Fortuna International Holdings Limited	Rights issue	40	0.01	1 rights share for every 1 share held	0.014	0.012	(28.6%)	(16.7%)	Commercial underwriters	2%
31 October 2003	Enerchina Holdings Limited	Rights issue	between 196.1 million and 198.5 million	0.4	9 rights shares for every 5 existing shares held	0.73	0.52	(45.2%)	(23.1%)	Controlling shareholder	2%
Average (excluding those whose rights issue/open offer price represents a premium to the underlying market price and the theoretical ex-rights/ex-entitlement price of shares)								**(47.9)**	**(30.1)**		
Average underwriting commission rate											**2.2%**

We noted that the discounts of the rights issue price/open offer price to the underlying market price of the shares of the Issuers (prior to the announcement of the relevant rights issues/open offers) range between 3.8% and 93.5%, with an average discount of approximately 47.9%. In this regard, the discounts of 67.2%, 74.8% and 74.4%, as represented by the Subscription Price of HK$0.10 per Offer Share to the Share price as at the Last Trading Day, the average closing price per Share during the period of 10 trading days up to and including the Last Trading Day and the Latest Practicable Date, are of a larger magnitude than the abovementioned average discount of 47.9%. Furthermore, we noted that the discounts of the rights issue price/open offer price to the theoretical ex-rights price (determined based on the underlying market price of the shares of the Issuers prior to the announcements of the relevant rights issues/open offers) range between 2.0% and 75.0%, with an average discount of approximately 30.1%. In this regard, although we noted that the approximately 29.1% discount as represented by the Subscription Price of HK$0.10 per Offer Share to the theoretical ex-entitlement price of HK$0.141 per Share (determined based on the closing Share price as at the Last Trading Day) is of a smaller magnitude than the corresponding average discount of approximately 30.1% as demonstrated by the above market statistics, the discounts of approximately 37.3% and 36.7% as represented by the Subscription Price of HK$0.10 per Offer Share to the theoretical ex-entitlement prices of HK$0.1594 per Share (determined based on the average closing price per Share during the period of 10 trading days up to and including the Last Trading Day) and HK$0.158 per Share (determined based on the closing Share price as at the Latest Practicable Date) are of larger magnitudes when compared with the corresponding average discount of approximately 30.1% as demonstrated by the above market statistics. Therefore, we consider that the Subscription Price of HK$0.10 per Offer Share has been determined on a fair and reasonable basis.

Furthermore, the Subscription Price of HK$0.10 per Offer Share represents:–

(i) a discount of approximately 75.6% to the Company's audited consolidated net tangible asset value of approximately HK$0.41 per Share as at 31 March 2003, which is calculated based on the Company's audited consolidated net tangible asset value of approximately HK$135.5 million as at 31 March 2003 and an aggregate of approximately 331.5 million Shares in issue as at the Latest Practicable Date;

(ii) a discount of approximately 37.9% to the Company's proforma adjusted unaudited consolidated net tangible asset value of approximately HK$0.161 per Share after the Open Offer, which is calculated based on the Company's proforma adjusted unaudited consolidated net tangible asset value of approximately HK$267.2 million (as such figure is referred to in sub-paragraph 8.1 below) and an aggregate of approximately 1,657.4 million Shares in issue after the Open Offer (assuming that none of the conversion rights attaching to the Preference Shares shall be exercised on or before the Record Date); and

(iii) a discount of approximately 38.3% to the Company's proforma adjusted unaudited consolidated net tangible asset value of approximately HK$0.162 per Share after the Open Offer, which is calculated based on the Company's proforma adjusted unaudited consolidated net tangible asset value of approximately HK$270.4 million (as such figure is referred to in sub-paragraph 8.1 below) and an aggregate of approximately 1,668.8 million Shares in issue after the Open Offer (assuming that all of the conversion rights attaching to the Preference Shares shall be exercised on or before the Record Date).

In relation to the above, we have referred to the listed companies on the Stock Exchange which are predominantly engaged in property investments in the PRC (the "**Comparable Companies**") that we have identified as set out in the paragraph headed "Use of proceeds of the Open Offer" above, from which we noted that the average discount of the share prices as at the Latest Practicable Date to the last reported net asset values per share of the Comparable Companies is approximately 56.9%. In this regard, we noted that the discount of approximately 75.6% as represented by the Subscription Price of HK$0.10 per Offer Share to the Company's audited consolidated net tangible asset value per Share as at 31 March 2003 is larger than the abovementioned average discount of 56.9% as demonstrated by the Comparable Companies. However, the discounts of between approximately 37.9% and 38.3% as represented by the subscription price of HK$0.10 per Offer Share to the Company's proforma adjusted unaudited consolidated net tangible asset values per Share after the Open Offer are smaller than the abovementioned average discount of 56.9% as demonstrated by the Comparable Companies, which we consider to be a result of the dilution of the Company's proforma net tangible asset value after the Open Offer solely attributable to the significant four-fold increase in the Company's issued ordinary share capital as a result of the Open Offer. Nevertheless, given that the Subscription Price of HK$0.10 per Offer Share by itself already represents a discount of between 37.9% and 38.3% to the Company's proforma adjusted unaudited consolidated net tangible asset values per Share after the Open Offer, we are of the view that the Subscription Price of HK$0.10 per Offer Share has been determined on an attractive basis which we consider to be fair and reasonable to the Qualifying Shareholders.

Furthermore, as discussed in the paragraphs headed "Reasons for the Open Offer" and "Use of proceeds of the Open Offer" above, we noted that it is in the interests of the Company and the Shareholders as a whole for the Group to be able to (i) derive cash proceeds for the purpose of business diversification from its existing heavy reliance on the business of property investment in Hong Kong; and (ii) receive the benefit of additional general working capital given our evaluation that the Group demonstrates a consistently unfavourable financial results performance during the past five financial years ended 31 March 2003 and the Group operates under limited financial resources, a tight liquidity as well as an over-geared position. Accordingly, we consider that the Open Offer has its own merits and is in the overall interests of the Company and the Shareholders (including the Independent Shareholders) as a whole, notwithstanding the discounts as represented by the Subscription Price of HK$0.10 per Offer Share to the underlying prices and theoretical ex-entitlement prices of the Shares as referred to above.

5. Dilution effect of the Open Offer

If all the Qualifying Shareholders participate in the Open Offer and subscribe for their provisional allotments of the Offer Shares, then each Qualifying Shareholder's beneficial shareholding in the Company will be preserved. As referred to in the letter from the Board as set out on pages 6 to 19 of the Circular, the Overseas Shareholders will not be qualified for the Open Offer and that the Offer Shares to which the Overseas Shareholders would otherwise have been entitled under the Open Offer will be taken up by the Underwriters. In this regard, we have enquired with and were informed by the Directors that there were only 400 Shares beneficially held by one Overseas Shareholder, according to the register of members of the Company, as at the Latest Practicable Date whose shareholding represents a negligible percentage of the Company's entire issued ordinary share capital comprising approximately 331.5 million Shares as at the Latest Practicable Date. Therefore, assuming that (i) the same number of Shares will be held by such Overseas Shareholder so that the shareholding of such Overseas Shareholder will continue to be negligible according to the register of members of the Company on the Record Date; and (ii) all the Qualifying Shareholders participate in the Open Offer and subscribe for their provisional allotments of the Offer Shares, then there will not be any dilution effect on the existing beneficial interest of any Shareholder in the Company.

Any Qualifying Shareholder who does not take up his/her entitlements under the Open Offer will have his/her beneficial interest in the issued ordinary share capital of the Company diluted by (i) 80% (assuming that none of the conversion rights attaching to the Preference Shares shall be exercised on or before the Record Date); or (ii) approximately 80.14% (assuming that all of the conversion rights attaching to the Preference Shares shall be exercised on or before the Record Date, and that the holders thereof will participate in the Open Offer and subscribe for their provisional allotments of Offer Shares). Furthermore, under the mechanics of the Open Offer, the provisional allotments of the Offer Shares are neither transferable nor receivable and there will not be any trading in nil-paid entitlements to the Offer Shares on the Stock Exchange. In other words, we consider that those Qualifying Shareholders who do not wish to participate in the Open Offer will have their provisional allotments taken up by the Underwriters or investors who may be procured by the Underwriters pursuant to the underwriting arrangement, and hence inevitably result in a dilution of such Qualifying Shareholders' beneficial interests in the Company.

6. Share price and trading volume performances

6.1 Share price performances

The average of the daily closing prices, the monthly highest recorded price and the monthly lowest recorded price of the Shares traded on the Stock Exchange during the period from 1 October 2002 (being the date falling on one year prior to the Last Trading

Day) up to and including the Latest Practicable Date (the "**Period**") are set out as follows:–

	Highest *HK$* *(Note)*	Lowest *HK$* *(Note)*	Average Daily closing price *HK$* *(Note)*
Month			
2002			
October	0.36	0.28	0.28
November	0.32	0.10	0.14
December	0.14	0.10	0.12
2003			
January	0.38	0.11	0.29
February	0.33	0.18	0.24
March	0.28	0.21	0.22
April	0.26	0.17	0.19
May	0.24	0.16	0.22
June	0.25	0.18	0.20
July	0.21	0.18	0.181
August	0.196	0.17	0.18
September	0.34	0.18	0.32
1 October to 16 October (i.e. the Last Trading Day)	0.465	0.305	0.305
23 October up to and including the Latest Practicable Date	0.52	0.255	0.46

Note: After adjusting for the effect of the Company's capital reorganization which became effective on 26 June 2003 pursuant to which, inter alia, 10 shares then in issue were consolidated into 1 Share.

The Subscription Price of HK$0.10 per Offer Share is equal to the lowest recorded price of HK$0.10 during the Period, and represents a discount of approximately 80.8% to the highest recorded price of HK$0.52 during the Period. As can be seen above, the Subscription Price of HK$0.10 per Offer Share represents a discount to the vast majority of the traded prices of the Shares during the Period.

Based on the discounts as represented by the Subscription Price of HK$0.10 per Offer Share to the vast majority of the traded prices of the Shares during the Period and in view of our evaluation above regarding the merits of the Open Offer which, if proceeded with, would enable the Group to (i) derive cash proceeds for the purpose of business diversification from its existing heavy reliance on the business of property investment in Hong Kong; and (ii) receive the benefit of additional general working capital given our evaluation that the Group demonstrates a consistently unfavourable financial results performance during the past five financial years ended 31 March 2003 and the Group operates under limited financial resources, a tight liquidity as well as an over-geared position, we are of the opinion that the Open Offer provides the Shareholders with the opportunity to participate in the Open Offer at an attractive price as represented by the Subscription Price of HK$0.10 per Offer Share.

6.2 Share traded volume performances

The average daily number of Shares traded on the Stock Exchange during the Period are set out as follows:–

Month	Average number of Shares traded daily *(Note)*	As a percentage of the Company's issued ordinary share capital as at the Latest Practicable Date *(%)*	As a percentage of the Company's public float as at the Latest Practicable Date *(%)*
2002			
October	1,590	0.00	0.00
November	104,705	0.03	0.04
December	164,090	0.05	0.06
2003			
January	311,030	0.09	0.12
February	333,858	0.10	0.12
March	168,395	0.05	0.06
April	155,935	0.05	0.06
May	96,655	0.03	0.04
June	106,485	0.03	0.04
July	35,955	0.01	0.01
August	58,869	0.02	0.02
September	383,058	0.12	0.14
1 October to 16 October (i.e. the Last Trading Day)	739,098	0.22	0.28
23 October up to and including the Latest Practicable Date	2,311,398	0.68	0.85

Note: After adjusting for the effect of the Company's capital reorganization which became effective on 26 June 2003 pursuant to which, inter alia, 10 shares then in issue were consolidated into 1 Share.

Based on the above statistics, during the Period, we noted that the Shares had traded at an extremely low level of liquidity in the market whose average daily traded volume represents (i) a maximum of 0.22% of the Company's issued ordinary share capital as at the Latest Practicable Date or a maximum of 0.28% of the Company's public float as at the Latest Practicable Date, during the period from 1 October 2002 up to and including the Last Trading Day (i.e. before the Announcement); and (ii) 0.68% of the Company's issued ordinary share capital as at the Latest Practicable Date or 0.85% of the Company's public float as at the Latest Practicable Date, during the period from 23 October 2002 up to and including the Latest Practicable Date (i.e. after the Announcement). We consider that the abovementioned increases in the average daily traded volumes of the Shares in the market before and after the Announcement is attributable to the market reaction towards, inter alia, the Company's announcement of (inter alia) the Open Offer. Therefore, we consider that the Subscription Price of HK$0.10 per Offer Share has been determined on a fair and reasonable basis, for reason that it also reflects the expected price levels at which a Qualifying Shareholder is able to purchase Shares in the market for a volume as represented by the number of Offer Shares which he/she is otherwise entitled to subscribe for under the terms of the Open Offer, particularly given the extremely low levels of liquidity in the trading of the Shares in the market during the Period as referred to above.

7. Underwriting arrangement

As referred to in the letter from the Board as set out on pages 6 to 19 of the Circular, the Underwriters comprise (i) Allied Luck, who is a Shareholder beneficially interested in approximately 11.34% of the Company's issued ordinary share capital as at the Latest Practicable Date; and (ii) Ace Solomon, which is a company beneficially owned as to 11% by Mr Wong, 46% by Mr Kee and 43% by Ms Loh, but who is not a Shareholder as at the Latest Practicable Date. Pursuant to the Underwriting Agreement, the Underwriters have agreed to underwrite a minimum of 1,015,920,000 Offer Shares (assuming that none of the conversion rights attaching to the Preference Shares shall be exercised on or before the Record Date) and a maximum of 1,025,040,024 Offer Shares (assuming that all of the conversion rights attaching to the Preference Shares shall be exercised on or before the Record Date). Out of the total Offer Shares underwritten by the Underwriters, Allied Luck has agreed to underwrite a maximum of 309,275,100 Offer Shares, and therefore Ace Solomon will underwrite the remaining balance of between 706,644,900 Offer Shares (assuming that none of the conversion rights attaching to the Preference Shares shall be exercised on or before the Record Date) and 715,764,924 Offer Shares (assuming that all of the conversion rights attaching to the Preference Shares shall be exercised on or before the Record Date).

Based on the Subscription Price of HK$0.10 per Offer Share, the underwriting exposure of Allied Luck is approximately HK$30.9 million and the underwriting exposure of Ace Solomon is between approximately HK$70.7 million (assuming that none of the conversion rights attaching to the Preference Shares shall be exercised on or before the Record Date) and HK$71.6 million (assuming that all of the conversion rights attaching to the Preference Shares shall be exercised on or before the Record Date). Therefore, the total underwriting exposure of the Underwriters is between approximately HK$101.6 million (assuming that none of the conversion rights attaching to the Preference Shares shall be exercised on or before the Record Date) and HK$102.5 million (assuming that all of the conversion rights attaching to the Preference Shares shall be exercised on or before the Record Date).

As referred to in the letter from the Board as set out on pages 6 to 19 of the Circular, Allied Luck is a company controlled by Mr Wong, a Director, and his spouse who is an associate of Mr Wong as defined in the Listing Rules. Allied Luck is also a substantial Shareholder by virtue of its approximately 11.34% beneficial interest in the Company's issued ordinary share capital as at the Latest Practicable Date. Ace Solomon is owned by Mr Wong, Mr Kee and Ms Loh, all of whom are Directors. As Allied Luck and Ace Solomon are the Underwriters for the Open Offer, Allied Luck and Ace Solomon are therefore parties acting in concert for the purpose of the Open Offer (and also for the purpose of the Cash Offer, which may arise as a result of the fulfillment of the obligations by the Underwriters in full upon the close of the Open Offer). Accordingly, we consider that the Open Offer is being underwritten by a substantial Shareholder of the Company (namely Allied Luck) and its concert party (namely Ace Solomon), instead of being underwritten by a commercial underwriter such as a securities brokerage firm. In this regard, based on our review of the list of the 36 rights issues and open offers which were announced by the Issuers during the period of the last 12 months prior to the Last Trading Day up to and including the Latest Practicable Date as set out in the paragraph headed "Terms of the Open Offer" above, we noted that 17 rights issues and open offers (representing approximately 47% in terms of number of cases out of the entire population under review) were underwritten by the substantial shareholder, the major shareholder or the controlling shareholder of the company concerned. Therefore, we consider that it is not an uncommon feature for the Open Offer to be underwritten by Allied Luck, in its capacity as a substantial Shareholder, and its concert party Ace Solomon who are collectively the Underwriters.

Furthermore, we consider that in view of the unfavourable financial position of the Group which are demonstrated by:–

(i) its audited net losses attributable to Shareholders for a consecutive period of the past five financial years ended 31 March 2003 of approximately HK$8.4 million, HK$52.3 million, HK$1,124.4 million, HK$79.0 million and HK$72.0 million, respectively;

(ii) its aggregate free cash balances of approximately HK$13.1 million as at 31 March 2003, which represents approximately 9.7% of the Company's audited consolidated net assets of approximately HK$135.5 million as at 31 March 2003;

(iii) its audited net current liabilities of approximately HK$21.7 million as at 31 March 2003; and

(iv) its total indebtedness (comprising interest-bearing bank loans, loans due to related companies and other borrowings) of approximately HK$207.6 million as at 31 October 2003, which figure represents a gearing ratio of approximately 1.5 times of the Company's audited consolidated net assets of approximately HK$135.5 million as at 31 March 2003,

it would be difficult for the Group to be able to procure commercial underwriting interests in order for the Open Offer to be proceeded with on a fully underwritten basis in accordance with the requirements of Rule 7.24(1) of the Listing Rules. Therefore, we consider that the underwriting arrangement for Allied Luck and Ace Solomon to underwrite the Open Offer to be a fair and reasonable arrangement, for reason that about 47% in number of the rights issues and open offers announced by the Issuers during the period of the last 12 months prior to the Last Trading Day up to and including the Latest Practicable Date were in fact underwritten by the Issuer's controlling shareholder, major shareholder or substantial shareholder. Therefore, it is not uncommon for Allied Luck (as the Company's substantial Shareholder) and Ace Solomon (as a concert party of Allied Luck) to underwrite the Open Offer.

We have also noted the following major terms and conditions of the Underwriting Agreement entered into between the Company and the Underwriters:–

(a) the Underwriters shall have the right to terminate the Underwriting Agreement by written notice if any terms of the Underwriting Agreement is breached, in which case the Open Offer will not proceed;

(b) there is no force majeure clause in the Underwriting Agreement, which means that the Underwriters are unable to terminate their underwriting obligations even in the event of, inter alia, any adverse stock market conditions in Hong Kong and/or overseas; and

(c) the Company is not liable to pay to the Underwriters any underwriting commission in respect of the monetary value of the Offer Shares underwritten by the Underwriters.

We consider that item (a) above is a common term of an underwriting agreement applicable to the vast majority of rights issues/open offers announced by listed companies on the Stock Exchange. As regards item (b) above, we consider that the absence of a force majeure clause in the Underwriting Agreement essentially increases the chances of success of the Open Offer because the Open Offer will still be proceeded with even in the event of, inter alia, any adverse stock market conditions in Hong Kong and/or overseas. As regards item (c) above, we consider that the relief of the Company's obligations to pay any underwriting commission to the Underwriters gives added advantage to the Company as it would mean savings to the Company's overall costs in relation to the Open Offer. As referred to in the list of rights issues and open offers which were announced by the Issuers in the paragraph headed "Terms of the Open Offer" above, we noted that the average underwriting commission rate underlying the underwriting arrangements is about 2.2%. Using such underwriting commission rate as a reference and based on the total underwriting exposure of the Underwriters of between HK$101.6 million and HK$102.5 million as referred to above, the Company's estimated savings in underwriting costs is between HK$2.2 million to HK$2.3 million. Therefore, we consider that items (b) and (c) of the major terms and conditions of the Underwriting Agreement are in the overall interests of the Company and the Shareholders (including the Independent Shareholders) as a whole.

Based on the foregoing, we consider that the terms of the underwriting arrangement are fair and reasonable so far as the Company and the Shareholders (including the Independent Shareholders) are concerned.

8. Financial effects of the Open Offer on the Group

8.1 On the Group's net tangible asset value

As referred to in the statement of unaudited adjusted proforma consolidated net tangible asset value of the Group as set out in Appendix I to the Circular, there would be an increase by approximately 97.2% from the Company's audited consolidated net tangible asset value of approximately HK$135.5 million as at 31 March 2003 to a proforma adjusted unaudited consolidated net tangible asset value of approximately HK$267.2 million after completion of the Open Offer, assuming none of the conversion rights attaching to the Preference Shares shall be exercised on or before the Record Date. On the other hand, assuming that all the conversion rights attaching to the Preference Shares shall be exercised on or before the Record Date, then based on the Company's audited consolidated net tangible asset value of approximately HK$135.5 million as at 31 March 2003, the Company's proforma adjusted unaudited consolidated net tangible asset value would then be approximately HK$137.8 million. There would be an increase by approximately 96.2% from the Company's proforma adjusted unaudited consolidated net tangible asset value of approximately HK$137.8 million before the Open Offer to a proforma adjusted unaudited consolidated net tangible asset value of approximately HK$270.4 million after completion of the Open Offer.

As a result of the Open Offer, the Company's issued ordinary share capital will be increased from 331,488,000 Shares as at the Latest Practicable Date to (i) 1,657,440,000 Shares after completion of the Open Offer, assuming none of the conversion rights attaching to the Preference Shares shall be exercised on or before the Record Date; and (ii) 1,668,840,030 Shares after completion of the Open Offer, assuming all of the conversion rights attaching to the Preference Shares shall be exercised on or before the Record Date. Therefore, on a per Share basis:–

(i) the Company's audited consolidated net tangible asset value per Share as at 31 March 2003 before the Open Offer is approximately HK$0.41, based on the Company's audited consolidated net tangible asset value of approximately HK$135.5 million as at 31 March 2003 and an aggregate of 331,488,000 Shares in issue as at the Latest Practicable Date;

(ii) the Company's proforma adjusted unaudited consolidated net tangible asset value per Share is approximately HK$0.161 after completion of the Open Offer but assuming that none of the conversion rights attaching to the Preference Shares shall be exercised on or before the Record Date, based on the Company's resultant proforma adjusted unaudited consolidated net tangible asset value of approximately HK$267.2 million and an aggregate of 1,657,440,000 Shares to be in issue after completion of the Open Offer but assuming that none of the conversion rights attaching to the Preference Shares shall be exercised on or before the Record Date; and

(iii) the Company's proforma adjusted unaudited consolidated net tangible asset value per Share is approximately HK$0.162 after completion of the Open Offer and assuming that all of the conversion rights attaching to the Preference Shares shall be exercised on or before the Record Date, based on the Company's resultant proforma adjusted unaudited consolidated net tangible asset value of approximately HK$270.4 million and an aggregate of 1,668,840,030 Shares to be in issue after completion of the Open Offer and assuming that all of the conversion rights attaching to the Preference Shares shall be exercised on or before the Record Date.

The Company's audited consolidated net tangible asset value per Share of approximately HK$0.41 as at 31 March 2003 before the Open Offer will be decreased (i) by approximately 60.7% to a proforma adjusted unaudited consolidated net tangible asset value of approximately HK$0.161 per Share after completion of the Open Offer, assuming none of the conversion rights attaching to the Preference Shares shall be exercised on or before the Record Date; and (ii) by approximately 60.5% to a proforma adjusted unaudited consolidated net tangible asset value of approximately HK$0.162 per Share after completion of the Open Offer, assuming all of the conversion rights attaching to the Preference Shares shall be exercised on or before the Record Date.

Notwithstanding the increase in the Company's net asset value by between approximately 96% and 97% after completion of the Open Offer as referred to above, we noted that the abovementioned decrease in the Company's proforma adjusted unaudited consolidated net tangible asset values per Share after the Open Offer by a magnitude of about 61% is solely attributable to the effect of a significant four-fold increase in the Company's issued ordinary share capital after the Open Offer, based on the one-for-four share offer ratio under the terms of the Open Offer. Nevertheless, we consider that the significant enhancement in the Company's net tangible asset value by between 96% and 97% after the Open Offer essentially strengthens the Company's net assets base for the Company's growth and development purposes, which we consider to be in the interests of the Company and the Shareholders (including the Independent Shareholders) as a whole.

8.2 On the Group's financial results performance

As discussed in the paragraph headed "Use of proceeds of the Open Offer" above, we noted that the net proceeds of the Open Offer will be used as to (i) approximately HK$100 million for the purpose of funding any potential future investments (including PRC property investments) by the Group, but in respect of which no formal agreement has been entered into by the Company as at the Latest Practicable Date; and (ii) the remaining balance of approximately HK$31.7 million for the Group's general working capital purposes. Nevertheless, we were informed by the Directors that the aggregate costs and expenses of the Open Offer amount to approximately HK$0.9 million, which amount will be taken up by the Group's profit and loss account and which amount, as a reference, only represents an insignificant weighting of about 1.3% of the Company's reported audited consolidated net loss attributable to Shareholders of approximately HK$72.0 million for the financial year ended 31 March 2003.

Therefore, assuming that upon completion of the Open Offer, the Company will not have completed any acquisitions and/or investments to which the proceeds of the Open Offer will be designated, we are of the view that there will not be any immediate material effect on the Group's profit and loss account, and hence on the Group's financial results performance, following completion of the Open Offer.

8.3 On the Group's overall indebtedness and gearing level

As discussed in the paragraph headed "Use of proceeds of the Open Offer" above, we noted that none of the net proceeds of the Open Offer will be used by the Company for repayment of any of its existing loans and therefore the Group's indebtedness level will remain unchanged after completion of the Open Offer. Therefore, we consider that there will not be any immediate effect on the Group's overall indebtedness following the completion of the Open Offer and the application of the proceeds to be derived therefrom in accordance with the Company's plans.

Nevertheless, we noted that as referred to in sub-paragraph 8.1 above, the Company's proforma consolidated net tangible asset value would increase by between approximately 96% and 97% after completion of the Open Offer, from approximately HK$135.5 million as at 31 March 2003 before the Open Offer to approximately HK$267.2 million or HK$270.4 million after completion of the Open Offer (depending on whether or not the conversion rights attaching to the Preference Shares shall be fully exercised on or before the Record Date). Therefore, based on the Company's aggregate outstanding loans of approximately HK$207.6 million as at 31 October 2003 as referred to in sub-paragraph 3.3 above, the Group's gearing level would be reduced from approximately 1.5 times of the Company's net asset value as at 31 March 2003 before the Open Offer to (i) approximately 77.7% of the Company's proforma adjusted unaudited consolidated net tangible asset value of approximately HK$267.2 million after the Open Offer, assuming that none of the conversion rights attaching to the Preference Shares shall be exercised on or before the Record Date; and (ii) approximately 76.8% of the Company's proforma adjusted unaudited consolidated net tangible asset value of approximately HK$270.4 million after the Open Offer, assuming that all of the conversion rights attaching to the Preference Shares shall be exercised on or before the Record Date. We consider that such a decrease in the Group's gearing level as a result of the Open Offer to be in the interests of the Company and the Shareholders (including the Independent Shareholders) as a whole.

8.4 General

Therefore, based on our evaluation above, we noted that the only immediate financial effects arising from the completion of the Open Offer on the Company's financial position are that (i) there would be an enhancement in the Company's net tangible asset value by between approximately 96% and 97% as a result of the Open Offer; and (ii) there would be a decrease in the Group's overall gearing level from approximately 1.5 times before the Open Offer to between approximately 76.8% and 77.7% after the Open Offer. We are of the view that (i) such an enhancement in the Company's net tangible asset value after the Open Offer essentially strengthens the Company's net assets base for the Company's growth and development purposes; and (ii) such a reduction in the Group's overall gearing level would help relief the Group's financial obligations, both of which we consider are in the overall interests of the Company and the Shareholders (including the Independent Shareholders) as a whole.

9. Resultant shareholding structure of the Company after the Open Offer

As referred to in the letter from the Board as set out on pages 6 to 19 of the Circular, after completion of the Open Offer and assuming that the Underwriters are required to fulfil their underwriting obligations in full by subscribing all the untaken Offer Shares agreed to be underwritten by them pursuant to the Underwriting Agreement, the aggregate shareholding of the Underwriters together with parties acting in concert with them (namely Canasia and Sparkle Power) in the issued ordinary share capital of the Company will increase from approximately 23.38% before the Open Offer to (i) approximately 84.68%, assuming that none of the conversion rights attaching to the Preference Shares shall be exercised on or before the Record Date; and (ii) 84.64%, assuming that all of the conversion rights attaching to the Preference Shares shall be exercised on or before the Record Date. In relation to the above, Canasia and Sparkle Power are parties acting in concert with the Underwriters for reason that (i) Canasia is a Shareholder and is wholly owned by Mr Kee, a Director and a shareholder of Ace Solomon, being one of the Underwriters; and (ii) Sparkle Power is a Shareholder and is equally owned by Ms Loh and Mr Ko, both being Directors and of which Ms Loh is a shareholder of Ace Solomon, being one of the Underwriters.

In such circumstances, the Independent Shareholders' aggregate interests in the issued ordinary share capital of the Company would be reduced from approximately 76.62% before the Open Offer to (i) approximately 15.32% after the Open Offer, or a dilution by a magnitude of approximately 80%, assuming that none of the conversion rights attaching to the Preference Shares shall be exercised on or before the Record Date; or (ii) approximately 15.22% after the Open Offer, or a dilution by a magnitude of approximately 80.14%, assuming that all of the conversion rights attaching to the

Preference Shares shall be exercised on or before the Record Date.

We wish to draw the attention of the Independent Shareholders to the fact that the Company is required to comply with the requirement of Rule 8.08 of the Listing Rules, pursuant to which the Company is required to maintain a minimum public float representing not less than 25% of the Company's issued ordinary share capital at all times. We consider that, if the Company is unable to take appropriate action to maintain its minimum public float such as, for instance, a placing down by Ace Solomon of a minimum of (i) 160,380,000 Shares, representing approximately 9.68% of the Company's enlarged issued ordinary share capital after the Open Offer (assuming that none of the conversion rights attaching to the Preference Shares shall be exercised on or before the Record Date); or (ii) 160,950,002 Shares, representing approximately 9.64% of the Company's enlarged issued ordinary share capital after the Open Offer (assuming that all of the conversion rights attaching to the Preference Shares shall be exercised on or before the Record Date), then the Company may be required to suspend trading of the Shares on the Stock Exchange until such time when the Company's 25% minimum public float requirement is restored in accordance with Rule 8.08 of the Listing Rules.

Nevertheless, as referred to in the letter from the Board as set out on pages 6 to 19 of the Circular, in the circumstances where the aggregate shareholding of Allied Luck, Ace Solomon and their concert parties will exceed 30% of the Company's enlarged issued ordinary share capital after the Open Offer, Allied Luck and Ace Solomon will make the Cash Offer in accordance with Rule 26 of the Takeovers Code. Therefore, we consider that the Cash Offer essentially provides an opportunity for the Shareholders (other than Allied Luck, Ace Solomon and their concert parties) to realize their holdings of Shares if they wish to do so. Further advice in relation to the terms of the Cash Offer will be provided in our further letter of advice to be contained in a composite offer document, which is expected to be issued and despatched to the Shareholders within 7 days commencing from the date of fulfillment of the conditions precedent of the Open Offer.

10. Recommendation

Having considered the principal factors and reasons as referred to above, in particular that:–

– the Group's revenue source is heavily reliant on property investment income, and that the Group's asset structure predominantly comprises investment properties in Hong Kong. Therefore, we are of the view that there is a need for the Group to diversify its business risks for reason that any unfavourable development in Hong Kong's economy and/or Hong Kong's investment property market sentiment will inevitably generate a direct unfavourable impact on the Group's financial results performance as well as the Group's growth and development potentials;

– we noted that the Group intends to designate HK$100 million for the purpose of funding any potential future investments, including PRC property investments, although no formal agreement has been entered into by the Company as at the Latest

Practicable Date in this regard. Based on our appraisal of the investment parameters of listed companies on the Stock Exchange who are predominantly engaged in property investments in the PRC, we have evaluated that a market indicator of the prevailing level of returns being offered by the PRC investment property sector in the PRC metropolitan cities is approximately 6.8% per annum. Nevertheless, we consider that the implementation of CEPA will have the effect of boosting the level of business establishments from overseas territories (including Hong Kong) into the PRC market, particularly in the metropolitan cities in the PRC. On this basis, we consider that there is a positive market outlook for the PRC investment property sector, particularly regarding those investment property opportunities in the metropolitan cities in the PRC, in the long run. Therefore, although we noted that the abovementioned market indicator of approximately 6.8% per annum is very comparable with the historical rental yield generated by the Group's investment property in Hong Kong of approximately 6.9% during the financial year ended 31 March 2003, we consider that the Group is likely to benefit from attractive financial returns by participating in the PRC property investment market due to our evaluation (i) of a positive market outlook for the PRC investment property market; and (ii) that any rental income to be derived by the Group from its PRC property investments would be able to replenish any shortfalls in the rental income generated from the Group's investment properties in Hong Kong;

– we noted the Group consistently demonstrated unfavourable financial results performances during the period of the past five financial years ended 31 March 2003, and that the Group operates under limited financial resources, a tight liquidity as well as an over-geared position. Therefore, we consider that if the Company were able to derive additional working capital of approximately HK$31.7 million from part of the proceeds of the Open Offer, then the Group will have the benefit of being able to (i) alleviate its existing financial pressures; and (ii) derive additional funding for the purpose of acquiring appropriate investment opportunities which may enhance the earnings and cashflows of the Group, which we consider to be in the interests of the Company and the Shareholders (including the Independent Shareholders) as a whole;

– there is no urgency for the Group to repay its outstanding secured bank loan of approximately HK$195.9 million as at 31 October 2003 (being the latest practicable date on which the Group's indebtedness can be established for the purposes of this letter) for reason that approximately 6.0% and 6.4% of such an amount are repayable by the Group within one and two years of the Latest Practicable Date, respectively. Furthermore, we concur with the Directors' view that it is possible for the Group to negotiate for an extension of the repayment date of 27 February 2004 in respect of an unsecured loan in the amount of approximately HK$11.7 million as at 31 October 2003 which is owing by the Group to a company under common directorship. We also noted that the Group's outstanding secured bank loan bears an indicative interest cost of between 1% and 1.28% per annum (based on the one-month HIBOR and the three-month HIBOR as at the Latest Practicable Date) and the Group's unsecured loan owing to a related company under common directorship bears an interest cost of approximately 3% per annum. Therefore, we consider that it would be in the interests of the Company and the Shareholders as a whole for the Group to designate the proceeds of the Open Offer for the purposes of PRC property investments in the PRC metropolitan cities, which are capable of generating a higher financial yield of 6.8% per annum or thereabouts to the Group, rather than to repay the Group's indebtedness which would result only in interest savings of between 1% and 3% per annum to the Group. Based on the foregoing analyses, we are of the view that it is a fair and reasonable arrangement that none of the net proceeds of the Open Offer will be used for repayment by the Company of any of its existing loans;

– the Subscription Price of HK$0.10 per Offer Share represents a discount of approximately 67.2%, 74.8% and 74.4% to the Share price as at (i) the Last Trading Day; (ii) the average closing price per Share during the period of 10 trading days up to and including the Last Trading Day; and (iii) the Latest Practicable Date, respectively. Each of the aforementioned discounts is of a larger magnitude when compared with the corresponding average discount of approximately 47.9% as demonstrated by the market statistics of the rights issues and open offers announced by the Issuers during the period of the last 12 months prior to the Last Trading Day up to and including the Latest Practicable Date;

– the Subscription Price of HK$0.10 per Offer Share represents a discount of approximately 37.3% and 36.7% to the theoretical ex-entitlement prices per Share determined based on (i) the average closing price per Share during the period of 10 trading days up to and including the Last Trading Day; and (ii) the closing Share price as at the Latest Practicable Date, respectively. Each of the aforementioned discounts is of a larger magnitude when compared with the corresponding average discount of approximately 30.1% as demonstrated by the market statistics of the rights issues and open offers announced by the Issuers during the period of the last 12 months prior to the Last Trading Day up to and including the Latest Practicable Date;

– the Subscription Price of HK$0.10 per Offer Share represents a discount of approximately 75.6% to the Company's audited consolidated net tangible asset value per Share of approximately HK$0.41 as at 31 March 2003, which is of a larger magnitude when compared with the average discount of approximately 56.9% as represented by the share prices as at the Latest Practicable Date to the underlying net asset values per share demonstrated by the market statistics of the companies listed on the Stock Exchange which are predominantly engaged in property investments in the PRC. Furthermore, given that the Subscription Price of HK$0.10 per Offer Share by itself already represents a discount of between approximately 37.9% and 38.3% to the Company's proforma adjusted unaudited consolidated net tangible asset value per Share of between HK$0.161 and HK$0.162 after the Open Offer, respectively, we are of the view that the Subscription Price of HK$0.10 per Offer Share has been determined on an attractive basis which we consider to be fair and reasonable to the Qualifying Shareholders;

- any Qualifying Shareholder who does not take up his/her entitlements under the Open Offer will have his/her beneficial interest in the issued ordinary share capital of the Company diluted by 80% (assuming that none of the conversion rights attaching to the Preference Shares shall be exercised on or before the Record Date) or approximately 80.14% (assuming that all of the conversion rights attaching to the Preference Shares shall be exercised on or before the Record Date);

- based on the historical traded prices of the Shares during the Period (from 1 October 2002, being the date falling on one year prior to the Last Trading Day, up to and including the Latest Practicable Date), the Subscription Price of HK$0.10 per Offer Share is (i) equal to the lowest recorded Share price of HK$0.10 during the Period; (ii) represents a discount of approximately 80.8% to the highest recorded Share price of HK$0.52 during the Period; and (iii) represents a discount to the vast majority of the traded prices of the Shares during the Period;

- the Open Offer is fully underwritten in accordance with the requirements of Rule 7.24(1) of the Listing Rules. Furthermore, based on our observation that about 47% in number of the rights issues and open offers announced by the Issuers during the period of the last 12 months prior to the Last Trading Day up to and including the Latest Practicable Date were in fact underwritten by the substantial shareholder, major shareholder or controlling shareholder of the issuer concerned, we consider that it is not uncommon for the Open Offer to be underwritten by Allied Luck, being a substantial Shareholder of the Company, and its concert party Ace Solomon. Also, in view of our observation that the Group consistently demonstrated unfavourable financial results performances during the period of the past five financial years ended 31 March 2003 and that the Group operates under limited financial resources, a tight liquidity as well as an over-geared position, it would be difficult for the Group to be able to procure commercial underwriting interests for the Open Offer and therefore we consider that the arrangement for Allied Luck and Ace Solomon to underwrite the Open Offer to be fair and reasonable;

- the absence of a force majeure clause in the Underwriting Agreement essentially increases the chances of success of the Open Offer even in the event of adverse market conditions, and that the relief of the Company's obligations to pay any underwriting commission to the Underwriters means savings, which we have evaluated to be between HK$2.2 million to HK$2.3 million, to the Company's costs in relation to the Open Offer. Therefore, we consider that the abovementioned features of the Underwriting Agreement are in the overall interests of the Company and the Shareholders (including the Independent Shareholders) as a whole;

- the Open Offer will significantly enhance the Company's net tangible asset value by between 96% and 97% after the Open Offer and thereby essentially strengthens the Company's net assets base for the Company's growth and development purposes, although on a per Share basis there will be a decrease in the Company's proforma adjusted unaudited net tangible asset value per Share by a magnitude of approximately 61% after the Open Offer which is solely attributable to the effect of a significant four-fold increase in the Company's issued ordinary share capital after the Open Offer, based on the one-for-four share offer ratio under the terms of the Open Offer;

– based on the Group's total indebtedness of approximately HK$207.6 million as at 31 October 2003 and following completion of the Open Offer, there would be a reduction in the Group's overall gearing level from approximately 1.5 times (based on the Company's audited consolidated net tangible asset value of approximately HK$135.5 million as at 31 March 2003) before the Open Offer to between approximately 76.8% and 77.7% after completion of the Open Offer, which we consider would help relief the Group's financial obligations;

– in the event where the Underwriters are required to fulfil their underwriting obligations in full by subscribing all the untaken Offer Shares agreed to be underwritten by them pursuant to the Underwriting Agreement, then the Underwriters and their concert parties will have a resultant aggregate shareholding in the issued ordinary share capital of the Company of approximately 84.68% (assuming that none of the conversion rights attaching to the Preference Shares shall be exercised on or before the Record Date) or approximately 84.64% (assuming that all of the conversion rights attaching to the Preference Shares shall be exercised on or before the Record Date). In this regard, we noted that the Company's public float will fall below the 25% minimum requirement as prescribed by Rule 8.08 of the Listing Rules and in order for the Company to restore its minimum public float requirement, Ace Solomon will be required to place down between 160.38 million Shares and 160.95 million Shares representing between 9.68% and 9.64% of the Company's enlarged issued ordinary share capital after the Open Offer, respectively, failing which the Company's Shares may be required to suspend trading on the Stock Exchange until the 25% minimum public float is restored which we consider would not be in the interests of the Company and the Shareholders (including the Independent Shareholders) as a whole; and

– in the circumstances where the aggregate shareholding of Allied Luck, Ace Solomon and their concert parties will exceed 30% of the Company's enlarged issued share capital after the Open Offer, Allied Luck and Ace Solomon will make the Cash Offer in accordance with Rule 26 of the Takeovers Code. We consider that the Cash Offer essentially provides an opportunity for the Shareholders (other than Allied Luck, Ace Solomon and their concert parties) to realize their holdings of Shares if they wish to do so,

we consider that the terms and conditions of the Open Offer are fair and reasonable and are in the overall interests of the Company and the Shareholders (including the Independent Shareholders) as a whole. Therefore, we would advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to consider and, if thought fit, approve the Open Offer.

Yours faithfully,
For and on behalf of
Chateron Corporate Finance Limited
Christopher Wong
Director

A. SUMMARY OF FINANCIAL INFORMATION

The following is a summary of the audited consolidated results of the Group for each of the three years ended 31 March 2003 and the audited consolidated balance sheets of the Group as at 31 March 2001, 31 March 2002 and 31 March 2003. The information is extracted from the audited consolidated financial statements of the Group:

Results

	Year ended 31 March		
	2003	**2002**	**2001**
	HK$'000	*HK$'000*	*HK$'000*
Turnover	23,175	23,051	23,203
Direct outgoings	(322)	(1,772)	(3,420)
	22,853	21,279	19,783
Other revenue	2,529	6,480	22,136
Other net loss	(2,272)	–	–
Administrative expenses	(5,644)	(9,445)	(17,295)
Other operating expenses	(2,668)	(1,106)	–
Gain on disposal of interest in associates	5,112	17,877	–
Provision for impairment in value of goodwill	–	(78,400)	–
Provision for losses on restructuring	–	–	(590,700)
Provision for impairment in value of other investments	(60,000)	–	–
Deficit on revaluation of investment properties	(15,080)	(70)	(25,000)
Loss on disposal of a property under redevelopment	–	–	(339,344)
Loss from operations	(55,170)	(43,385)	(930,420)
Finance costs	(15,792)	(31,743)	(94,138)
Share of loss of an associate	–	(3,837)	(99,811)
Loss from ordinary activities before taxation	(70,962)	(78,965)	(1,124,369)
Taxation	(1,000)	–	(18)
Loss attributable to shareholders	(71,962)	(78,965)	(1,124,387)
Loss per share – Basic	HK$0.02	HK$0.04	HK$2.78

Assets and liabilities

	Year ended 31 March		
	2003	**2002**	**2001**
	HK$'000	*HK$'000*	*HK$'000*
TOTAL ASSETS	360,615	482,865	591,097
TOTAL LIABILITIES	225,124	355,790	698,701
	135,491	127,075	(107,604)

B. AUDITED FINANCIAL INFORMATION OF THE GROUP

The following is a summary of the audited consolidated profit and loss account of the Group for each of the two years ending 31 March 2003, the audited consolidated balance sheet of the Group as at 31 March 2002 and 31 March 2003 and the audited cash flow statement for the years ended 31 March 2002 and 31 March 2003 together with the relevant notes thereto as extracted from the annual report of the Company for the year ended 31 March 2003.

CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the year ended 31 March 2003

		2003	**2002**
	Note	*HK$'000*	*HK$'000*
Turnover	2	23,175	23,051
Direct outgoings		(322)	(1,772)
		22,853	21,279
Other revenue	3	2,529	6,480
Other net loss	3	(2,272)	–
Administrative expenses		(5,644)	(9,445)
Other operating expenses		(2,668)	(1,106)
Gain on disposal of interest in associates		5,112	17,877
Provision for impairment in value of goodwill		–	(78,400)
Provision for impairment in value of other investments	13	(60,000)	–
Deficit on revaluation of investment properties	10	(15,080)	(70)
Loss from operations		(55,170)	(43,385)
Finance costs	4(a)	(15,792)	(31,743)
Share of loss of an associate		–	(3,837)
Loss from ordinary activities before taxation	4	(70,962)	(78,965)
Taxation	5(a)	(1,000)	–
Loss attributable to shareholders	8, 22	(71,962)	(78,965)
Loss per share – Basic	9	HK$0.02	HK$0.04

The notes on pages 64 to 87 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

At 31 March 2003

	Note	2003 HK$'000	2002 HK$'000
Non-current assets			
Fixed assets	10	336,146	350,730
Interest in an associate	12	–	–
Other investments	13	3,000	–
		339,146	350,730
Current assets			
Trading securities	14	2,840	–
Accounts receivable	15	4,061	3,306
Prepayments, deposits and other receivables		1,466	1,733
Cash and cash equivalents	16	13,102	127,096
		21,469	132,135
Current liabilities			
Interest-bearing bank loans and other borrowings	17	10,992	8,394
Amounts due to related companies	18	13,616	91,446
Other payables and accruals		17,654	20,761
Taxation	5(b)	950	–
		43,212	120,601
Net current (liabilities)/assets		(21,743)	11,534
Total assets less current liabilities		317,403	362,264
Non-current liabilities			
Interest-bearing bank loans and other borrowings	17	(181,912)	(175,189)
Convertible bonds	19	–	(60,000)
		(181,912)	(235,189)
		135,491	127,075

	Note	2003 HK$'000	2002 HK$'000
Capital and reserves			
Share capital	21	999,720	479,320
Reserves	22	(864,229)	(352,245)
		135,491	127,075

The notes on pages 64 to 87 form part of these financial statements.

BALANCE SHEET

At 31 March 2003

	Note	2003 HK$'000	2002 HK$'000
Non-current assets			
Fixed assets	10	346	–
Interest in subsidiaries	11	324,241	342,907
Other investments	13	3,000	–
		327,587	342,907
Current assets			
Interest in subsidiaries	11	10,992	8,394
Prepayments, deposits and other receivables		375	938
Cash and cash equivalents	16	10,603	121,471
		21,970	130,803
Current liabilities			
Interest-bearing bank loans and other borrowings	17	10,992	8,394
Amounts due to related companies	18	13,616	91,446
Other payables and accruals		7,471	11,318
		32,079	111,158
Net current (liabilities)/assets		(10,109)	19,645
Total assets less current liabilities		317,478	362,552
Non-current liabilities			
Interest-bearing bank loans and other borrowings	17	(181,912)	(175,189)
Convertible bonds	19	–	(60,000)
		(181,912)	(235,189)
		135,566	127,363

	Note	2003 HK$'000	2002 HK$'000
Capital and reserves			
Share capital	21	999,720	479,320
Reserves	22	(864,154)	(351,957)
		135,566	127,363

The notes on pages 64 to 87 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2003

	2003	2002
	HK$'000	*HK$'000*
Shareholders' equity at the beginning of the year	127,075	(107,604)
Surplus on revaluation of other investments	3,000	–
Exchange loss released upon disposal of an associate	–	84
Release of goodwill upon disposal of an associate	–	(14,124)
Net gains/(losses) not recognised in the profit and loss account	3,000	(14,040)
Net loss for the year	(71,962)	(78,965)
Movements in share capital and reserves		
– Issue of new ordinary shares under the Placement	60,000	73,700
– Issue of new ordinary shares under Rights Issue	460,400	86,120
– Issue of new preference shares	–	171,000
– Bonus issue	(441,984)	–
– Share issue expenses	(1,038)	(3,136)
Net increase in shareholders' equity arising from capital transactions	77,378	327,684
Shareholders' equity at the end of the year	135,491	127,075

The notes on pages 64 to 87 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 March 2003

	Note	2003 HK$'000	2002 restated HK$'000
Operating activities			
Loss from ordinary activities before taxation		(70,962)	(78,965)
Adjustments for:			
– Interest income		(1,656)	(709)
– Depreciation		16	–
– Provision for impairment in value of other investments		60,000	–
– Deficit on revaluation of investment properties		15,080	70
– Finance costs		15,792	31,743
– Gain on disposal of interest in associates		(5,112)	(17,877)
– Net unrealised loss in respect of trading securities		2,272	–
– Provision for doubtful debts		2,612	1,106
– Provision for impairment in value of goodwill		–	78,400
– Share of loss of an associate		–	3,837
– Fixed assets written off		–	24
– Gain on disposal of other investments		–	(5,295)
Operating results before changes in working capital		18,042	12,334
Decrease/(increase) in prepayments, deposits and other receivables		267	(1,337)
Increase in accounts receivable		(3,367)	(354)
(Decrease)/increase in other payables and accruals		(616)	1,501
Increase in amounts due to related companies		–	483
Cash generated from operations		14,326	12,627
Hong Kong profits tax paid		(50)	(18)
Net cash from operating activities		14,276	12,609
Investing activities			
Purchases of fixed assets		(512)	–
Proceeds from disposal of other investments		–	5,295
Interest received		1,656	709
Acquisition of an associate		–	(44,700)
Net cash from/(used in) investing activities		1,144	(38,696)

	Note	2003 HK$'000	2002 *restated* HK$'000
Financing activities			
Gross proceeds from issue of shares		18,416	126,120
Share issue expenses		(1,038)	(3,136)
New bank loans		24,321	168,583
Repayment of promissory notes		(15,000)	(55,841)
Repayment of loan from a related company		(89,526)	–
Loans from related companies		11,696	85,038
Repayment of convertible bonds		(60,000)	–
Other borrowing costs paid		(18,283)	(36,954)
Issue of convertible bonds		–	60,000
Bank charges and refinancing charges		–	(3,239)
Repayment of other borrowings		–	(12,195)
Repayment of a bank loan		–	(177,012)
Net cash (used in)/from financing activities		(129,414)	151,364
Net (decrease)/increase in cash and cash equivalents		(113,994)	125,277
Cash and cash equivalents at the beginning of the year	16	127,096	1,819
Cash and cash equivalents at the end of the year		13,102	127,096
Analysis of balance of cash and cash equivalents			
Cash and bank balances		2,152	2,117
Non-pledged time deposits with original maturity of less than three months when acquired		10,950	124,979
		13,102	127,096

The notes on pages 64 to 87 form part of these financial statements.

NOTES ON THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). A summary of the significant accounting policies adopted by the Group is set out below.

(b) Basis of preparation of the financial statements

(i) The measurement basis used in the preparation of the financial statements is historical cost modified by the revaluation of investment properties and the marking to market of certain investments in securities as explained in the accounting policies set out below.

(ii) Notwithstanding the net current liabilities of the Group at 31 March 2003, the financial statements have been prepared on a going concern basis since the major shareholder has confirmed that it is its present intention to do its best to obtain financial resources in order to provide such financial assistance as is necessary to maintain the group as a going concern.

(c) Subsidiaries

A subsidiary, in accordance with the Hong Kong Companies Ordinance, is a company in which the Group, directly or indirectly, holds more than half of the issued share capital, or controls more than half the voting power, or controls the composition of the board of directors. Subsidiaries are considered to be controlled if the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

An investment in a controlled subsidiary is consolidated into the consolidated financial statements.

Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses (see note 1(i)).

(d) Associates

An associate is a company in which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions that significantly impair its ability to transfer funds to the investor, in which case it is stated at fair value with changes in fair value recognised in the consolidated profit and loss account as they arise. The consolidated profit and loss account reflects the Group's share of the post acquisition results of the associates for the year, including any amortisation of positive or negative goodwill charged or credited during the year in accordance with note 1(e).

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the consolidated profit and loss account.

In the Company's balance sheet, its investments in associates are stated at cost less impairment losses (see note 1(i)), unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions that significantly impair its ability to transfer funds to the investor, in which case, it is stated at fair value with changes in fair value recognised in the profit and loss account as they arise.

(e) Goodwill

Positive goodwill arising on consolidation represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable assets and liabilities acquired. In respect of controlled subsidiaries:

– for acquisitions before 1 January 2001, positive goodwill is eliminated against reserves and is reduced by impairment losses (see note 1(i)); and

– for acquisitions on or after 1 January 2001, positive goodwill is amortised to the consolidated profit and loss account on a straight-line basis over its estimated useful life. Positive goodwill is stated in the consolidated balance sheet at cost less any accumulated amortisation and any impairment losses (see note 1(i)).

In respect of acquisitions of associates, positive goodwill is amortised to the consolidated profit and loss account on a straight-line basis over its estimated useful life. The cost of positive goodwill less any accumulated amortisation and any impairment losses (see note 1(i)) is included in the carrying amount of the interest in associates.

Negative goodwill arising on acquisitions of controlled subsidiaries and associates represents the excess of the Group's share of the fair value of the identifiable assets and liabilities acquired over the cost of the acquisition. Negative goodwill is accounted for as follows:

– for acquisitions before 1 January 2001, negative goodwill is credited to a capital reserve; and

– for acquisitions on or after 1 January 2001, to the extent that negative goodwill relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, it is recognised in the consolidated profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, is recognised in the consolidated profit and loss account over the remaining weighted average useful life of those non-monetary assets that are depreciable/amortisable. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the consolidated profit and loss account.

In respect of any negative goodwill not yet recognised in the consolidated profit and loss account:

– for controlled subsidiaries, such negative goodwill is shown in the consolidated balance sheet as a deduction from assets in the same balance sheet classification as positive goodwill; and

– for associates, such negative goodwill is included in the carrying amount of the interest in associates.

On disposal of a controlled subsidiary or an associate during the year, any attributable amount of purchased goodwill not previously amortised through the consolidated profit and loss account or which has previously been dealt with as a movement on group reserves is included in the calculation of the profit or loss on disposal.

(f) Other investments in securities

The Group's and the Company's policies for investments in securities other than investments in subsidiaries and associates are as follows:

(i) Trading securities are stated in the balance sheet at fair value. Changes in fair value are recognised in the profit and loss account as they arise.

(ii) Other investments are stated in the balance sheet at fair value. Changes in fair value are recognised in the revaluation reserve until the investment is sold, collected, or otherwise disposed of, or until there is objective evidence that the investment is impaired, at which time the relevant cumulative gain or loss is transferred from the revaluation reserve to the profit and loss account.

(iii) Transfers from the revaluation reserve to the profit and loss account as a result of impairments are reversed when the circumstances and events that led to the impairment cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

(iv) Profits or losses on disposal of investments in securities are determined as the difference between the estimated net disposal proceeds and the carrying amount of the investments and are accounted for in the profit and loss account as they arise.

(g) Fixed assets

(i) Fixed assets are carried in the balance sheets on the following bases:

– investment properties with an unexpired lease term of more than 20 years are stated in the balance sheet at their open market value which is assessed annually by external qualified valuers; and

– furniture, fixtures and other fixed assets are stated in the balance sheet at cost less accumulated depreciation (see note 1(h)) and impairment losses (see note 1(i)).

(ii) Changes arising on the revaluation of investment properties are generally dealt with in reserves. The only exceptions are as follows:

– when a deficit arises on revaluation, it will be charged to the profit and loss account, if and to the extent that it exceeds the amount held in the reserve in respect of the portfolio of investment properties, immediately prior to the revaluation; and

– when a surplus arises on revaluation, it will be credited to the profit and loss account, if and to the extent that a deficit on revaluation in respect of the portfolio of investment properties, had previously been charged to the profit and loss account.

(iii) Subsequent expenditure relating to a fixed asset that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

(iv) Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the profit and loss account on the date of retirement or disposal. On disposal of an investment property, the related portion of surpluses or deficits previously taken to the investment properties revaluation reserve is also transferred to the profit and loss account for the year.

(h) Amortisation and depreciation

(i) No depreciation is provided on investment properties with an unexpired lease term of over 20 years or on freehold land.

(ii) Depreciation is calculated to write-off the cost of other fixed assets over their estimated useful lives on a straight-line basis as follows:

Furniture, fixtures and other fixed assets	3 to 5 years

(i) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

– fixed assets (other than investment properties carried at revalued amounts);

– investments in subsidiaries and associates (except for those accounted for at fair value under note 1(d)); and

– positive goodwill (whether taken initially to reserves or recognised as an asset).

If any such indication exists, the asset's recoverable amount is estimated. For goodwill that is amortised over 20 years from initial recognition, the recoverable amount is estimated at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

(ii) Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the profit and loss account in the year in which the reversals are recognised.

(j) Cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(k) Employee benefits

(i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance, are recognised as an expense in the profit and loss account as incurred.

(iii) When the group grants employees options to acquire shares of the Company at nominal consideration, no employee benefit cost or obligation is recognised at the date of grant. When the options are exercised, equity is increased by the amount of the proceeds received on exercise of share options.

(iv) Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(l) Deferred taxation

Deferred taxation is provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which are expected with reasonable probability to crystallise in the foreseeable future.

Future deferred tax benefits are not recognised unless their realisation is assured beyond reasonable doubt.

(m) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company or Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(n) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the profit and loss account as follows:

(i) Rental income from operating leases

Rental income receivable under operating leases is recognised in the profit and loss account in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives granted are recognised in the profit and loss account as an integral part of the aggregate net lease payments receivable.

(ii) Dividends

– Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

– Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(iii) Interest income

Interest income from bank deposits is accrued on a time-apportioned basis by reference to the principal outstanding and the rate applicable.

(o) Borrowing costs

Borrowing costs are expensed in the profit and loss account in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

(p) Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

(q) Segment reporting

The Group's operating results are almost entirely attributable to its property investment activities in Hong Kong. Accordingly, no segmental analysis is provided.

2 TURNOVER

The principal activity of the Group is property development and investment.

Turnover represents the gross rental income derived from the investment properties during the year.

3 OTHER REVENUE AND OTHER NET LOSS

	2003	2002
	HK$'000	*HK$'000*
Other revenue		
Interest income	1,656	709
Rentals receivable from other assets, other than those relating to investment properties	252	54
Gain on disposal of other investments	–	5,295
Others	621	422
	2,529	6,480
Other net loss		
Net unrealised loss in respect of trading securities	(2,272)	–

4 LOSS FROM ORDINARY ACTIVITIES BEFORE TAXATION

Loss from ordinary activities before taxation is arrived at after charging/(crediting):

	2003	2002
	HK$'000	*HK$'000*
(a) Finance costs:		
Interest on bank loans and other borrowings wholly repayable within five years	9,652	25,150
Interest on bank loans repayable beyond five years	3,140	3,354
Premium paid on redemption of convertible bonds	3,000	–
Refinancing charges	–	3,239
	15,792	31,743
(b) Staff costs (including directors' remuneration *(note 6)*):		
– Wages and salaries	1,257	1,379
– Retirement costs	16	–
	1,273	1,379

	2003	2002
	HK$'000	*HK$'000*
(c) Other items:		
Provision for doubtful debts	2,612	1,106
Auditors' remuneration	390	400
Depreciation	16	–
Rentals receivable from investment properties less direct outgoings of HK$322,000 (2002: HK$1,772,000)	(22,853)	(21,279)

5 TAXATION

(a) Taxation in the consolidated profit and loss account represents:

	2003	2002
	HK$'000	*HK$'000*
Provision for Hong Kong Profits Tax for the year	1,000	–

The provision for Hong Kong Profits Tax is calculated at 16% (2002: 16%) of the estimated assessable profits for the year.

The potential deferred tax liability attributable to accelerated depreciation allowances has not been provided in the financial statements as the timing differences are not likely to crystallise in the foreseeable future. The potential liability for unprovided deferred taxation for the year amounts to:

	2003	2002
	HK$'000	*HK$'000*
Depreciation allowances in excess of related depreciation	2,698	2,268

The potential deferred tax asset which represents the tax effect of timing differences due to tax losses available to set off against future assessable profits has not been recognised in the financial statements as its realisation is not assured beyond reasonable doubt.

(b) Taxation in the balance sheet represents:

	The Group	
	2003	2002
	HK$'000	*HK$'000*
Provision for Hong Kong Profits Tax for the year	1,000	–
Provisional Profits Tax paid	(50)	–
	950	–

6 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance is as follows:

	2003	2002
	HK\$'000	*HK\$'000*
Fees:		
– Executive	–	–
– Non-executive	–	–
– Independent non-executive	–	500
	–	500
Salaries and other emoluments – executive	896	879
Retirement costs	16	–
	912	1,379

The remuneration of the Directors is within the following bands:

	Number of directors	
	2003	2002
HK\$Nil to HK\$1,000,000	7	4
HK\$1,000,001 to HK\$1,500,000	–	–
	7	4

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2002: none).

In addition to the above remuneration, 47,180,000 share options granted to the directors in respect of their services to the Group were cancelled. No value in respect of the share options granted during the year has been charged to the profit and loss account.

7 INDIVIDUALS WITH HIGHEST EMOLUMENTS

During the year, the five highest paid employees are all Directors, details of whose remuneration are disclosed in note 6. In the prior year, remuneration was paid to four employees only and all of whom were Directors and fell within the band of HK\$Nil to HK\$1,000,000.

8 LOSS ATTRIBUTABLE TO SHAREHOLDERS

The net loss attributable to shareholders dealt with in the financial statements of the Company is HK\$72,175,000 (2002: HK\$79,339,000).

9 LOSS PER SHARE

The calculation of the basic loss per share is based on the loss attributable to shareholders for the year of HK$71,962,000 (2002: HK$78,965,000), and the weighted average of 3,143,494,000 (2002: 2,159,444,000) ordinary shares in issue during the year, after taking into account of the effect of the Open Offer during the year. The weighted average number of ordinary shares in issue for the year ended 31 March 2002 was restated because there was a bonus element resulting from the Open Offer during the year.

The exercise of the subscription rights conferred by the redeemable convertible preference shares and share options would not have any dilutive effect on the loss per share for the years ended 31 March 2002 and 2003.

10 FIXED ASSETS

(a) The Group

	Furniture, fixtures and other fixed assets	**Investment properties**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Cost or valuation:			
At 1 April 2002	–	350,730	350,730
Additions	362	150	512
Deficit on revaluation	–	(15,080)	(15,080)
At 31 March 2003	362	335,800	336,162
Representing:			
Cost	362	–	362
Valuation – 2003	–	335,800	335,800
	362	335,800	336,162
Accumulated depreciation:			
At 1 April 2002	–	–	–
Charge for the year	16	–	16
At 31 March 2003	16	–	16
Net book value:			
At 31 March 2003	346	335,800	336,146
At 31 March 2002	–	350,730	350,730

(b) The Company

	Furniture, fixtures and other fixed assets
	HK$'000
Cost:	
Additions and at 31 March 2003	362
Accumulated depreciation:	
Charge for the year and at 31 March 2003	16
Net book value:	
At 31 March 2003	346
At 31 March 2002	–

(c) An analysis of the net book value of properties is as follows:

The Group's investment properties are situated in Hong Kong and are held under the following lease terms:

	2003	2002
	HK$'000	*HK$'000*
Long-term leases	335,000	350,000
Medium-term leases	800	730
	335,800	350,730

(d) Investment properties of the Group situated in Hong Kong were revalued by Chesterton Petty Limited, independent professional qualified valuers, who have among their Members of Hong Kong Institute of Surveyors on an open market value basis at 31 March 2003.

(e) Certain of the above investment properties with an aggregate carrying value of HK$335,000,000 (2002: HK$350,000,000) have been pledged to a bank for bank loans (note 17).

(f) The Group leases out investment properties under operating lease arrangements, with leases negotiated for an initial period of one to four years. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. None of the leases includes contingent rentals.

At 31 March 2003, the Group had total future minimum lease payments under non-cancellable operating leases receivable as follows:

	The Group	
	2003	**2002**
	HK$'000	*HK$'000*
Within one year	18,953	17,678
In the second to fifth years, inclusive	8,388	9,446
	27,341	27,124

11 INTEREST IN SUBSIDIARIES

	The Company	
	2003	**2002**
	HK$'000	*HK$'000*
Unlisted shares, at cost	197,075	197,075
Amounts due from subsidiaries	301,750	249,500
	498,825	446,575
Less: impairment loss	(163,592)	(95,274)
	335,233	351,301
Portion classified as current assets	(10,992)	(8,394)
	324,241	342,907

The amounts due from subsidiaries are unsecured, interest-free and not repayable within twelve months following the balance sheet date, except for:

(i) an amount of HK$162,258,000 (2002: HK$170,228,000) due from a subsidiary at 31 March 2003, which bears interest at prime rate plus 1% (2002: 1%) per annum; and

(ii) an amount of HK$10,992,000 (2002: HK$8,394,000) due from a subsidiary, which is repayable within one year and is therefore classified as a current asset in the Company's balance sheet.

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

All of these are controlled subsidiaries as defined under note 1(c) and have been consolidated into the consolidated financial statements.

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the company	a subsidiary	Principal activities
Genuine Glory Investments Limited	Hong Kong	HK$2	100	–	Property investment
Master Profit Limited	British Virgin Islands/ Hong Kong	US$1	100	–	Investment holding
Perfect Manor Limited	Hong Kong	HK$2	–	100	Property investment
Max Cyber Development Inc.	British Virgin Islands/ Hong Kong	US$1	100	–	Investment holding
Metro Fair Investment Limited	Hong Kong	HK$2	–	100	Property investment
Can Do Enterprises Limited	Hong Kong	HK$2	100	–	Investment holding

12 INTEREST IN AN ASSOCIATE

	The Group		The Company	
	2003	2002	2003	2002
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Share of net assets	–	–	–	–
Goodwill on acquisition	–	78,400	–	–
	–	78,400	–	–
Less: impairment loss	–	(78,400)	–	–
	–	–	–	–

On 12 August 2002, Max Cyber Development Inc., a wholly-owned subsidiary of the Company entered into a sale and purchase agreement with an independent third party for the disposal of its 49% equity interests in Masterful Resources Limited ("Masterful") at a total consideration of HK$56,800,000 (the "Masterful Disposal"). The consideration for the Masterful Disposal was satisfied by the issue of 284,000,000 new ordinary shares of eCyberChina Holdings Limited ("eCyberChina") at par of HK$0.20 each. On the transaction date, the market value of the aforementioned eCyberChina shares amounted to HK$5,112,000 and was recognised as a gain on disposal of interest in associates. The eCyberChina shares have been classified as trading securities (note 14). The Masterful Disposal was completed on 5 September 2002.

13 OTHER INVESTMENTS

	The Group		The Company	
	2003	**2002**	**2003**	**2002**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Unlisted equity securities	60,000	–	–	–
Less: impairment loss	(60,000)	–	–	–
	–	–	–	–
Others	3,000	–	3,000	–
	3,000	–	3,000	–

The Group's unlisted equity securities represent a 30% equity interest in Power Insight Investments Limited ("Power Insight"), a company engaged in the supply and trading of liquid petroleum gas in bulk and in cylinders, the provision of piped gas and the sale of LPG household appliances in the PRC. In the opinion of the directors, the Group is not in a position to exercise significant influence over the financial and operating policies of Power Insight and accordingly, these equity securities have not been equity accounted for.

Others represents three club debentures held, which were revalued by the Directors during the year taking into account the prevailing saleable value of the debentures.

14 TRADING SECURITIES

	The Group	
	2003	**2002**
	HK$'000	*HK$'000*
Equity securities listed in Hong Kong, at market value *(note 12)*	2,840	–

15 ACCOUNTS RECEIVABLE

The Group maintains a defined credit policy and normally allows an average credit period of 30 days to its tenants. An ageing analysis of accounts receivable, net of provisions for doubtful debts, is as follows:

	The Group	
	2003	**2002**
	HK$'000	*HK$'000*
Outstanding balances aged:		
– Within 1 month	1,675	1,390
– 1 to 3 months	1,179	1,456
– Over 3 months	1,207	460
	4,061	3,306

16 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2003	**2002**	**2003**	**2002**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash and bank balances	2,152	2,117	596	127
Time deposits	10,950	124,979	10,007	121,344
Cash and cash equivalents	13,102	127,096	10,603	121,471

17 INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

	The Group and the Company	
	2003	**2002**
	HK$'000	*HK$'000*
Bank loans, secured	192,904	168,583
Promissory notes, unsecured	–	15,000
Total bank loans and other borrowings	192,904	183,583
Portion classified as current liabilities	(10,992)	(8,394)
Long-term portion	181,912	175,189

Bank loans

	The Group and the Company	
	2003	**2002**
	HK$'000	*HK$'000*
Bank loans are repayable:		
– Within 1 year	10,992	8,394
– In the second year	11,383	8,710
– In the third to fifth years, inclusive	30,261	26,132
– Beyond 5 years	140,268	125,347
	192,904	168,583

The bank loans are secured by certain investment properties of the Group with an aggregate carrying value of HK$335,000,000 (2002: HK$350,000,000) (note 10(e)) and an assignment of the rental income derived therefrom.

Promissory notes

	The Group and the Company	
	2003	**2002**
	HK$'000	*HK$'000*
Promissory notes are repayable:		
– Within 1 year	–	–
– In the second year	–	15,000
	–	15,000

The promissory notes existing at 31 March 2002 were repaid on 18 September 2002

18 AMOUNTS DUE TO RELATED COMPANIES

Included in the amounts due to related companies is an unsecured loan of HK$11,696,000 obtained from a related company, which is under common directorship. The loan bears interest at a rate of 3% per annum and is repayable on or before 7 February 2004.

19 CONVERTIBLE BONDS

On 4 January 2002, the Company issued convertible bonds for an aggregate principal amount of HK$60,000,000 at par to certain independent investors (the "Bonds"). The original maturity date of the Bonds was 4 January 2005 (the "Maturity Date"). The Bonds bore interest at a rate of 5% per annum payable semi-annually in arrears on 30 June and 31 December.

The holders of the Bonds had the option to convert the principal outstanding amount of the Bonds in whole or in part into ordinary shares of the Company at any time before the Maturity Date at the conversion price of HK$0.25 per share (subject to adjustment).

At any time after the expiry of 12 months from the issue date, the Company had the right to redeem the whole (but not part) of the outstanding Bonds at the redemption amount which is 105% of the principal amount of the Bonds to be redeemed together with accrued interest thereon.

On 5 March 2003, the Company redeemed all the Bonds at the redemption amount of HK$63,000,000 with accrued interest.

20 EQUITY COMPENSATION BENEFITS

The Company had a share option scheme (the "Old Scheme") for the purpose of providing incentives and rewards to eligible participants, including the Company's executive Directors and other eligible employees of the Group. The Old Scheme became effective on 13 December 1999 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

After the adoption of the amended Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") with effect on 1 September 2001, certain terms of the Old Scheme required amendments in order to comply with the new requirements under Chapter 17 of the Listing Rules. During the year, no options were granted under the Old Scheme after the new requirements of Chapter 17 of the Listing Rules became effective. At the annual general meeting of the Company held on 16 September 2002, resolutions were passed to terminate the Old Scheme and a new share options scheme was adopted (the "New Scheme").

The Company operates the New Scheme for the purpose of providing incentives and rewards to eligible participants, including the Directors (including independent non-executive Directors), other eligible employees of the Group, suppliers of goods or services to the Group, customers of the Group and any minority shareholder of the Company's subsidiaries. The New Scheme became effective on 18 September 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares of the Company in respect of which share options may be granted under the New Scheme, shall not, when aggregate with any shares subject to any other scheme, exceed 10% of the issued share capital of the Company from time to time, excluding the number of shares issued and allotted pursuant to the New Scheme. The maximum number of each participant under the New Scheme is equal to the maximum limit permitted under the Listing Rules.

The offer of a grant of share options may be accepted no later than 21 days from the date of offer with HK$1.00 as consideration being payable by the grantee. The exercise period of the share options granted is determinable by the Directors, and commences on the date upon which the option is granted and accepted and ends on the expiry date of the option as may be determined by the Directors, which shall not be later than the tenth anniversary of the New Scheme's effective date.

The subscription price of a share option is determined by the Directors, but may not be less than the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet for trades in one or more board lots of shares on the offer date; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and (iii) the nominal value of a share.

The share options granted by the Company to the grantee under the Old Scheme will not be affected by the New Scheme and the following share options were outstanding under the Old Scheme during the year:

		Number of share options						
Name of Director	At 1 April 2002	Granted during the year*	Cancelled during the year**	At 31 March 2003	Date of grant of share options	Exercise period of share options	Exercise price of share options	Company's share price at grant date of options***
Yeung Sau Chung	23,590,000	–	(23,590,000)	–	22 June 2001	22 June 2001 to 12 December 2009	0.25	0.176
Liu Shun Chuen	23,590,000	–	(23,590,000)	–	22 June 2001	22 June 2001 to 12 December 2009	0.25	0.176

* The share options were granted to the Directors on 22 June 2001.
** The number of share options outstanding was cancelled on 28 January 2003.
*** The price of the Company's shares disclosed as at the date of the grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options.

The financial impact of share options granted 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 profit and loss account or balance sheet for their cost. Upon the exercise of the 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.

The Directors do not consider that it is appropriate to disclose a theoretical value of the share options granted during the year because the Directors are of the opinion that the values of share options calculated using theoretical models are subject to certain fundamental limitations, due to the subjective nature of and uncertainty relating to a number of the assumptions of expected future performance input to the model, and certain inherent limitations of the model itself. The Directors consider that such disclosure does not give additional value in view of the abovementioned limitations surrounding these models.

21 SHARE CAPITAL

Shares

	Ordinary shares of HK$0.25 each		**'A' Preference shares of HK$0.25 each**		**'B' Preference shares of HK$0.25 each**		
	Number of shares	**Amount**	**Number of shares**	**Amount**	**Number of shares**	**Amount**	**Total**
	(thousand)	*HK$'000*	*(thousand)*	*HK$'000*	*(thousand)*	*HK$'000*	*HK$'000*
Authorised:							
At 31 March 2003	10,000,000	2,500,000	400,000	100,000	284,000	71,000	2,671,000
At 31 March 2002	3,920,000	980,000	400,000	100,000	284,000	71,000	1,151,000

Pursuant to a resolution of an extraordinary general meeting held on 22 June 2002, the authorised share capital of the Company was further increased from 4,604,000,000 shares to 10,684,000,000 shares by the creation of additional 6,080,000,000 new ordinary shares of HK$0.25 each.

		Ordinary shares of HK$0.25 each		'A' Preference shares of HK$0.25 each		'B' Preference shares of HK$0.25 each		
		Number of shares	**Amount**	**Number of shares**	**Amount**	**Number of shares**	**Amount**	**Total**
	Note	*(thousand)*	*HK$'000*	*(thousand)*	*HK$'000*	*(thousand)*	*HK$'000*	*HK$'000*
Issued and fully paid:								
At 1 April 2001		594,000	148,500	–	–	–	–	148,500
Issue of preference shares		–	–	400,000	100,000	284,000	71,000	171,000
Issue of new shares		294,800	73,700	–	–	–	–	73,700
Rights issue		344,480	86,120	–	–	–	–	86,120
At 31 March 2002		1,233,280	308,320	400,000	100,000	284,000	71,000	479,320
At 1 April 2002		1,233,280	308,320	400,000	100,000	284,000	71,000	479,320
Issue of new shares	(a)	240,000	60,000	–	–	–	–	60,000
Open offer and bonus shares issued	(b)	1,841,600	460,400	–	–	–	–	460,400
At 31 March 2003		3,314,880	828,720	400,000	100,000	284,000	71,000	999,720

Notes:

(a) On 23 August 2002, 240,000,000 new ordinary shares were issued at HK$0.25 each as consideration for the acquisition of a 30% equity interest in Power Insight, which is engaged in the business of supply and trading of liquid petroleum gas and the sale of LPG household appliances.

(b) On 7 January 2003, a rights issue of 73,664,000 new shares of HK$0.25 each was made to the Shareholders at the issue price of HK$0.25 each and on the basis of one rights issue share for every twenty existing shares held. On the same date, a bonus issue of 1,767,936,000 new shares of HK$0.25 each was made to the subscribers of the aforementioned rights issue at the issue price of HK$0.25 each and on the basis of twenty four bonus shares for one aforementioned rights issue share subscribed. An aggregate consideration before expenses of HK$460,400,000 has been credited to the Company's share capital.

Redeemable convertible preference shares

The Preference Shares carry no right to dividend distributions to the holders. The Preference Shares carry a right to be converted into fully paid ordinary shares at initial conversion prices of HK$0.90, HK$1.50 and HK$2.50 during Conversion Periods I, II and III, respectively, as set out below.

	'A' Preference Shares	**'B' Preference Shares**
Conversion period I	not more that HK$33,333,327 equivalent nominal value shall become convertible within a period of 12 months from the date of issue	not more than HK$23,666,661 equivalent nominal value shall become convertible within a period of 12 months from the date of issue
Conversion period II	not more than a further HK$33,333,333 shall become convertible within a period commencing from the beginning of the 13th month up to the end of the 24th month after the date of issue	not more than a further HK$23,666,664 shall become convertible within a period commencing from the beginning of the 13th month up to the end of the 24th month after the date of issue
Conversion period III	the balance of HK$33,333,340 equivalent nominal value shall become convertible within a period commencing from the beginning of the 25th month up to the end of the 36th month after the date of issue	the balance of HK$23,666,675 equivalent nominal value shall become convertible within a period commencing from the beginning of the 25th month up to the end of the 36th month after the date of issue

Pursuant to the terms and conditions of the Preference Shares, the Preference Shares may be redeemed by the holders of the Preference Shares at any time subsequent to 50 years after the date of issue at the redemption value of HK$1.00 per Preference Share.

No Preference Shares were converted or redeemed during the year. Upon full conversion of the Preference Shares into ordinary shares of the Company at the pre-determined conversion price set out above, an aggregate of approximately 124,133,324 ordinary shares of the Company would be issued, which represents approximately 3.74% of the Company's existing issued share capital of 3,314,880,000 ordinary shares and approximately 3.61% of the Company's enlarged share capital of 3,439,013,324.

22 RESERVES

The Group

	Share premium HK$'000	Revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	General reserve HK$'000	Capital reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2001	544,381	–	(84)	6,000	19,124	(825,525)	(256,104)
Share issue expenses	(3,136)	–	–	–	–	–	(3,136)
Release upon disposal of an associate	–	–	84	–	(14,124)	–	(14,040)
Loss for the year	–	–	–	–	–	(78,965)	(78,965)
At 31 March 2002	541,245	–	–	6,000	5,000	(904,490)	(352,245)
At 1 April 2002	541,245	–	–	6,000	5,000	(904,490)	(352,245)
Bonus share issue	(441,984)	–	–	–	–	–	(441,984)
Share issue expenses	(1,038)	–	–	–	–	–	(1,038)
Surplus on revaluation of other investments	–	3,000	–	–	–	–	3,000
Loss for the year	–	–	–	–	–	(71,962)	(71,962)
At 31 March 2003	98,223	3,000	–	6,000	5,000	(976,452)	(864,229)

Negative goodwill in respect of acquisitions made prior to 1 April 2001 was credited directly to the capital reserve. The remaining negative goodwill included in the capital reserve will not be released to the profit and loss account unless the respective subsidiaries are disposed of by the Group (note 1(e)).

The Company

	Share premium HK$'000	Revaluation reserve HK$'000	General reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2001	544,381	–	6,000	(819,863)	(269,482)
Share issue expenses	(3,136)	–	–	–	(3,136)
Loss for the year	–	–	–	(79,339)	(79,339)
At 31 March 2002	541,245	–	6,000	(899,202)	(351,957)
At 1 April 2002	541,245	–	6,000	(899,202)	(351,957)
Bonus share issue	(441,984)	–	–	–	(441,984)
Share issue expenses	(1,038)	–	–	–	(1,038)
Surplus on revaluation of other investments	–	3,000	–	–	3,000
Loss for the year	–	–	–	(72,175)	(72,175)
At 31 March 2003	98,223	3,000	6,000	(971,377)	(864,154)

23 COMMITMENTS

Capital commitments outstanding at 31 March 2003 not provided for in the financial statements were as follows:

	The Group and the Company	
	2003	2002
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Acquisition of a subsidiary	400,000	400,000

In 2000, the Group entered into a conditional sale and purchase agreement with an independent third party for the acquisition of the entire issued share capital and the shareholders' loan of Growing China Limited ("Growing China"), a company incorporated in the British Virgin Islands, at a consideration of HK$400,000,000. The principal assets of Growing China are residential blocks and a commercial complex located at Chengdu in the Sichuan Province, the PRC. Part of the consideration of HK$340,000,000 is expected to be satisfied by the issue and allotment of approximately 301,000,000 new ordinary shares of the Company and the remaining balance of HK$60,000,000 in cash. The agreement has yet to become unconditional and parties to the agreement agreed on 19 December 2000 to extend the long stop date of the agreement to such date as the parties may agree in writing. In the opinion of the Directors, unless the parties mutually agree to complete the acquisition, no payment under the agreement will be made within the next twelve months from the date of this report.

24 RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees in Hong Kong under the jurisdiction of the Hong Kong Employment Ordinance. The assets of the MPF Scheme are held separately from those of the Group and administered by an independent trustee. Under the MPF Scheme, the Group and its employees are each required to make a contribution to the Scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000 (the "Cap"). The amounts in excess of the Cap are contributed to the MPF Scheme by both employers and employees as voluntary contributions. Mandatory contributions to the MPF Scheme are vested to the employees.

25 POST BALANCE SHEET EVENTS

(a) Capital reorganization

On 11 April 2003, special resolutions were passed at an extraordinary general meeting of the Company to implement a capital reorganization which, in summary, involved the following:

(i) a reduction of the issued ordinary share capital of the Company of HK$828,720,000 divided into 3,314,880,000 ordinary shares of HK$0.25 each to HK$33,148,800 divided into 3,314,880,000 ordinary shares of HK$0.01 each and the issued preference share capital of HK$171,000,000 divided into 684,000,000 preference shares of HK$0.25 each to HK$6,840,000 divided into 684,000,000 preference shares of HK$0.01 each ("Capital Reduction").

The credit of HK$959,731,200 resulting from the Capital Reduction of the Company will be set off, to the extent permitted by and subject to such conditions as may be imposed by the High Court of the Hong Kong Special Administrative Region ("Court"), against the accumulated losses of the Company;

(ii) a sub-division of the authorised but unissued ordinary shares of HK$0.25 each into 25 ordinary shares of HK$0.01 each ("Share Sub-division");

(iii) an increase of the authorised ordinary share capital of the Company to HK$2,500,000,000, by the creation of not less than 79,557,120,000 new ordinary shares of HK$0.01 each ("Capital Increase"); and

(iv) the consolidation of 10 ordinary shares of HK$0.01 each and 10 preference shares of HK$0.01 each after such Capital Reduction into one new consolidated share of HK$0.10 ("Consolidated Shares") and one new consolidated preference share of HK$0.10 ("Consolidated Preference Shares") respectively (the "Share Consolidation") (collectively as "Capital Reorganisation").

Further details of the Capital Reorganisation are also set out in the circular of the Company dated 19 March 2003.

On 25 June 2003, by an order of the Court ("Court Order"), the Capital Reduction was confirmed. And upon filing of the Court Order and minutes of the Company with the Companies Registrar, the Capital Reorganisation became effective on 26 June 2003.

The Company has given certain undertakings to the Court. Details of such undertakings are summarised in the Report of the Directors.

(b) Refinancing

On 11 April 2003, a subsidiary of the Company has entered into a new banking facility of HK$200,000,000 granted by the bank. The new bank loan was drawn on 12 June 2003 to refinance its existing bank borrowings.

26 COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform with changes in presentation in the current financial year as a result of adopting revised Statements of Standard Accounting Practice ("SSAPs"). The Statement of Recognised Gains and Losses was replaced by the Statement of Changes in Equity as required by the SSAP1 (revised) "Presentation of Financial Statements".

The presentation and classification of items in the consolidated cash flow statement have been changed due to the adoption of the requirement of SSAP15 (revised 2001) "Cash Flow Statements". As a result, cash flow items from taxation, returns on investments and servicing of finance have been reclassified into operating, investing and financing activities respectively and a detailed breakdown of cash flows from operating activities have been included on the face of the consolidated cash flow statement.

Comparative figures have been reclassified to conform with current year's presentation.

C. INDEBTEDNESS

At the close of business on 30 September 2003, 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$208.6 million, comprising secured bank borrowings of approximately HK$196.9 million, and unsecured loan of HK$11.7 million from a related company.

Save as referred to above or as otherwise disclosed herein and apart from intra-group liabilities, the Group did not have, as at the close of business on 30 September 2003, any mortgages, charges, debentures or other loan capital or bank overdraft, loans or other similar indebtedness or hire-purchase commitments or any guarantees or other material contingent liabilities.

Save as referred to above, the Directors have confirmed that there have been no material changes in the indebtedness and contingent liabilities of the Group since 30 September 2003.

D. STATEMENT OF UNAUDITED ADJUSTED PROFORMA CONSOLIDATED NET TANGIBLE ASSET VALUE OF THE GROUP

The following is a summary of the statement of the adjusted proforma consolidated net tangible asset value of the Group based on the audited net tangible asset value of the Group as at 31 March 2003 and as adjusted to take into account of transactions since that date:

	HK$'000
Audited consolidated net tangible asset value as at 31 March 2003	135,491
Add: the net proceeds from the Open Offer, net of expenses *(Note)*	131,695
Proforma adjusted net tangible asset value after the Open Offer	267,186

Note: Assuming none of the outstanding Preference Shares will be converted into the Shares immediately prior to the Record Date.

E. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the estimated net proceeds to be derived from the Open Offer, the Group has sufficient working capital for its present requirements.

This appendix serves as an explanatory statement, as required by the Listing Rules, to provide information to the Shareholders regarding the new repurchase mandate as referred to in the section headed "General mandates to issue and repurchase Shares" on pages 17 to 18 of this circular. For the purpose of this appendix, the term "shares" (unless otherwise stated) shall be as defined in the Hong Kong Code on Share Repurchases which mean all classes which carry a right to subscribe for or repurchase shares.

SHARE CAPITAL

As at the Latest Practicable Date, 331,488,000 Shares were in issue. Subject to the passing of the ordinary resolution approving the granting of the Repurchase Mandate and on the basis that (i) the Open Offer is approved at the EGM; (ii) not more than 1,335,072,024 Offer Shares shall be duly issued pursuant to the Open Offer; and (iii) save for the issue of not more than 1,335,072,024 Offer Shares as aforesaid, no further securities will be issued or repurchased between the Latest Practicable Date and the date of the EGM, the Company will be allowed under the Repurchase Mandate to repurchase a maximum of 166,656,002 Shares during the period ending on the earlier of (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required to be held by any applicable law or the articles of association of the Company; or (iii) the date upon which such authority is revoked or varied by an ordinary resolution of the Shareholders in a general meeting.

REASON FOR THE REPURCHASE

Although the Company has no present intention of repurchasing any Shares, the Directors believe that the flexibility afforded by the Repurchase Mandate would be beneficial to the Company and its Shareholders. Repurchases may, depending on the circumstances, result in an increase of net assets and/or earnings per Share. Furthermore, the exercise of the Repurchase Mandate by the Directors may lead to an increased volume of trading and therefore enhanced liquidity in the Shares on the Stock Exchange.

FUNDING OF REPURCHASES

Any repurchase of the Shares will be funded entirely from the Company's available cash flow or working capital facilities legally available for the repurchase in accordance with the memorandum and articles of association of the Company and the applicable laws of Hong Kong.

SHARE PRICES

The highest and lowest prices of the Shares traded in the Stock Exchange in each of the past 12 months were as follows:

	Highest	Lowest
	HK$	*HK$*
2002		
September	0.23A	0.21A
October	0.19A	0.18A
November	0.20A	0.10A
December	0.14A	0.10A
2003		
January	0.38A	0.11A
February	0.33A	0.18A
March	0.28A	0.21A
April	0.26A	0.17A
May	0.24A	0.16A
June	0.23A	0.18A
July	0.21A	0.18A
August	0.20	0.18
September	0.34	0.18
October	0.52	0.26
November*	0.50	0.38

A: adjusted for the Company's shares consolidation announced on 26 June 2003
*: up to the Latest Practicable Date

GENERAL

The Directors have undertaken to the Stock Exchange that they will exercise the Repurchase Mandate in accordance with the applicable laws of Hong Kong and the Listing Rules.

The Directors anticipate that there might be a material adverse impact to the working capital and/or gearing position of the Company in the event that the Repurchase Mandate is exercised in full during the proposed repurchase period. However, the Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which, in the opinion of the Directors, are from time to time appropriate for the Company.

If, on the exercise of the power to repurchase Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of Rule 32 of the Takeovers Code. As a result, a Shareholder or group of Shareholders acting in concert could obtain or consolidate control of the Company and, depending on the level of increase of shareholding interests, may become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Takeovers Code. Accordingly, during the exercise of the power to repurchase Shares pursuant to the Repurchase Mandate, the Directors and the Shareholders will act in compliance with the Takeovers Code as and when necessary.

As at the Latest Practicable Date, Allied Luck, Canasia and Sparkle Power were beneficially interested in 77,508,000 Shares, representing approximately 23.38% of the issued ordinary share capital of the Company. Based on such level of shareholding and assuming that all Shareholders shall take up their respective entitlements under the Open Offer and in the event that the Directors shall exercise in full the power to repurchase Shares under the Repurchase Mandate, the aggregate shareholding of Allied Luck, Canasia and Sparkle Power in the Company would be increased to approximately 25.98% of the issued ordinary share capital of the Company as enlarged by the Open Offer.

The Directors are not aware of any consequences which may arise under the Code as a result of any repurchases made under the Repurchase Mandate. In the event that the Repurchase Mandate is exercised in full and assuming that all Shareholders shall take up their respective entitlements under the Open Offer, the number of Shares held by the public would not fall below 25% of the issued ordinary share capital of the Company as enlarged by the Open Offer.

None of the Directors, to the best of their knowledge having made all reasonable enquiries, nor their associates have any intention to sell any Shares to the Company or its subsidiaries if the Repurchase Mandate is exercised by the Directors.

No connected person (as defined in the Listing Rules) of the Company have notified the Company that he/she/it has any intention to sell any Shares to the Company and no such person has undertaken not to sell any of the Shares to the Company in the event the Repurchase Mandate is approved by the Shareholders.

No securities have been repurchased by the Company or any of its subsidiaries during the six months preceding the date of this circular.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the circular have been arrived at after due and careful consideration and that there are no other facts the omission of which would make any statement herein misleading.

2. PARTICULARS OF DIRECTORS

Executive Directors

Mr. Wong Yu Lung, Charles

Mr. Wong, aged 53, joined the Company as an Executive Director in January 2003. Mr. Wong has been the Vice Chairman of the Company since July 2003 and is primarily responsible for corporate strategic planning of the Group. He is a businessman who has been engaged in consumer product logistics business for more than 30 years.

Mr. Ko Po Ming

Mr. Ko, aged 45, joined the Company as an Independent Non-Executive Director in February 2003 and was re-designated as an Executive Director in July 2003. Mr. Ko has been the Vice Chairman of the Company since July 2003 and is responsible for management and corporate strategic planning of the Group. He was formerly the Chairman of BNP Paribas Peregrine Capital Limited. He has over 20 years of experience in banking and corporate finance. He is also an independent non-executive director of iMerchants Limited, a company listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, and a non-executive director of Golden Eagle Asset Management Company Limited.

Ms. Loh Jiah Yee, Katherine

Ms. Loh, aged 39, joined the Company as an Executive Director in January 2003. Ms. Loh has been the Chief Executive Officer of the Company since July 2003 and is responsible for business development, investment, administration and finance of the Group. She is also the chief executive officer of an investment company engaging in, among other things, investments in both listed and non-listed companies. She has more than 10 years of experience in finance and investment banking industry and is a qualified chartered accountant in Canada.

Mr. Lan Ning

Mr. Lan, aged 40, joined the Company as an Executive Director in January 2003, is responsible for business investment and development of the Group. He is a senior director of China Poly Group Corporation and the founder and chairman of Guangzhou Poly Investment Limited in China. He has experience in a wide range of business, including trading, property development and investment, asset management, securities trading, corporate restructuring and making local and overseas strategic investments.

Mr. Kee Wah Sze

Mr. Kee, aged 55, joined the Company as an Executive Director in January 2003, is responsible for management and legal aspects of the Group. He is a practicing solicitor in Hong Kong and the senior partner of Messrs. Michael Cheuk, Wong & Kee. He has over 20 years of experience in legal field and has extensive legal practice in commercial and corporate laws both in Hong Kong and China.

Independent non-executive Directors

Mr. Ma Ho Fai

Mr. Ma, aged 52, joined the Company as an Independent Non-Executive Director in February 2003. He is a partner of Messes. Woo, Kwan, Lee & Lo. He was admitted as a solicitor in Hong Kong, England and Wales, Australian Capital Territory and Singapore. He is also a China-Appointed Attesting Officer in Hong Kong. In addition, he is an independent non-executive director of Far East Hotels & Entertainment Limited, a company listed on The Stock Exchange of Hong Kong Limited.

Mr. Zhang Xiao Shu

Mr. Zhang, aged 59, joined the Company as an Independent Non-Executive Director in July 2003. He is the vice president and managing director of China Insurance (Holdings) Company Limited and China Insurance H.K. (Holdings) Company Limited ("CIHK"). He has over 20 years of experience in service and finance industry. Mr. Zhang was born in Shanghai where he worked until 1992 when he became the managing director and vice chairman of China Travel Service (Holdings) Hong Kong Limited and the vice chairman and general manager of China Travel Service (Hong Kong) Limited. Then he joined CIHK as vice president and managing director in 1997. Mr. Zhang is also the vice chairman of China Insurance International Holdings Company Limited, the chairman of CIG-WH International (Holdings) Limited, both companies are listed on The Stock Exchange of Hong Kong Limited, and a director of China International Reinsurance Company Limited, China Insurance Group Securities Limited, Toplap Investments Limited and China Insurance Group Assets Management Limited.

3. PARTIES INVOLVED IN THE OPEN OFFER AND CORPORATE INFORMATION

Registered and principal office	Office 3902A, 39th Floor Tower 1 Lippo Centre 89 Queensway Hong Kong
Authorised representatives	Mr. Kee Wah Sze Mr. Lam Kwok Wah
Company secretary	Mr. Lam Kwok Wah *AHKSA, AICPA*
Auditors	KPMG *Certified Public Accountant* 8th Floor Prince's Building 10 Chater Road Central Hong Kong
Underwriters	Allied Luck Trading Limited c/o 39th Floor Tower 1 Lippo Centre 89 Queensway Hong Kong Ace Solomon Investments Limited c/o 39th Floor Tower 1 Lippo Centre 89 Queensway Hong Kong
Legal advisers	Deacons 3rd to 7th, 18th & 29th Floors Alexandra House 16-20 Chater Road Central Hong Kong

Share registrar	Computershare Hong Kong Investor Services Limited Rooms 1901-5, 19th Floor Hopewell Centre 183 Queen's Road East Wan Chai Hong Kong
Principal bankers	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong
	International Bank of Asia Limited 38 Des Voeux Road Central Hong Kong

4. SHARE CAPITAL

The authorised and issued share capital of the Company immediately following the completion of the Open Offer (assuming the Open Offer becoming unconditional) will be as follows:

Authorised		*HK$*
25,000,000,000	Shares	2,500,000,000

Issued, to be issued and fully paid:

		HK$
331,488,000	Shares in issue	33,148,000
1,325,952,000	Shares to be issued pursuant to the Open Offer *(Note)*	132,595,200
1,657,440,000		165,744,000

Note: *As at the Latest Practicable Date, there are 40,000,000 'A' Preference Shares and 28,400,000 'B' Preference Shares in issue. As at the Latest Practicable Date, only HK$1,333,336 equivalent nominal value of 'A' Preference Shares and HK$946,670 equivalent nominal value of 'B' Preference Shares are eligible for conversion at a conversion price of HK$1.00 per Share. Such conversion rights will expire in September 2004. Thereafter, no Preference Share will be convertible. Assuming such conversion rights of 'A' Preference Shares and 'B' Preference Shares will be exercised in full on or before the Record Date, additional 1,333,336 new Shares and 946,670 new Shares will be issued respectively and the Company's issued Shares will be increased to 333,768,006 Shares on or before the Record Date. As a result of such issue, a total of 1,335,072,024 Shares (corresponding nominal value of HK$133,507,202) will be issued pursuant to the Open Offer.*

The Offer Shares will, when allotted, issued and fully-paid, rank pari passu in all respects with the Shares then in issue on the Record Date including the right to receive all dividends and other distributions which may be declared, made or paid after the date in which the Offer Shares are allotted.

The Shares in issue are listed on the Stock Exchange. No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or any other securities of the Company to be listed or dealt in on any other stock exchanges.

Save for the aforementioned Preference Shares, as at the Latest Practicable Date, there were no outstanding securities, options or warrants which were convertible into new Shares.

5. DISCLOSURE OF INTERESTS

(i) Directors

As at the Latest Practicable Date, the interests or short positions of each Director and the chief executive in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provision of the SFO); or (b) were required to pursuant to Section 352 of the SFO to be entered in the register referred to therein; or (c) were required to pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") to be notified to the Company and the Stock Exchange were as follows:

Directors	Nature of interest	Number of Shares	Approximate Percentage
Mr. Wong	Corporate	37,591,380	11.34%
Mr. Ko *(Note)*	Corporate	13,176,360	3.97%
Ms. Loh *(Note)*	Corporate	13,176,360	3.97%
Mr. Kee	Corporate	26,740,260	8.07%

Note: The Shares are held by Sparkle Power, the share capital of which is owned as to 50% by Mr. Ko and as to 50% by Ms. Loh.

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company were interested, or were deemed to be interested in the long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Code for Securities Transactions by the Directors adopted by the Company to be notified to the Company and the Stock Exchange.

(ii) Substantial Shareholders

As at the Latest Practicable Date, so far as is known to the Directors, the following parties, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provision of the Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Name	Number of ordinary Shares	Approximate Percentage
Allied Luck	37,591,380	11.34%
Canasia	26,740,260	8.07%
Comax Resources Limited	29,586,600	8.93%

As far as the Directors are aware, save as disclosed herein, no other person was directly or indirectly beneficially interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company as at the Latest Practicable Date.

The Company had, between 1 March 2003 and 31 August 2003, leased a property for use as its office. The Company has since moved to and, pursuant to a tenancy agreement dated 30 July 2003, leased its current premise. Both of the above properties are owned by a company that is beneficially owned by Mrs. Wong, the spouse of Mr. Wong, and a close relative of Mr. Wong.

Save as disclosed above, none of the Directors has any direct or indirect interest in any assets which have been, since the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by, or leased to the Company or any of its subsidiaries, or are proposed to be acquired or disposed of by, or leased to the Company or any of its subsidiaries.

6. SERVICE CONTRACT

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (other than contracts expiring or determinable by any member of the Group within one year without payment of compensation, other than statutory compensation).

7. MATERIAL CONTRACTS

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

(a) an agreement dated 13 December 2001 entered into between Masterful Technology Limited and Max Cyber Development Inc., a wholly-owned subsidiary of the Company, in relation to the acquisition of 9,500 shares in the capital of Masterful Resources Limited at the consideration of HK$30,400,000;

(b) a placement agreement dated 4 January 2002 entered into between Deloitte & Touche Corporate Finance Limited and the Company whereby Deloitte & Touche Corporate Finance Limited agreed to place HK$60,000,000 5% convertible bonds due 2005 convertible into 240,000,000 new Shares to independent investors in accordance with the terms and conditions as stated in the placement agreement;

(c) a conditional underwriting agreement dated 28 March 2002 entered into between the Company and Regent Medal Assets Corp. in respect of a proposed open offer to certain Shareholders at a subscription price of HK$0.25 per offer Share on the basis of one offer Share for every seven Shares held as at a date by reference to which entitlements to the offer Share will be determined;

(d) an agreement dated 5 August 2002 entered into between, inter alia, People Partner Limited, Gate Smart International Limited (collectively the "Vendors") and Max Cyber Development Inc. in respect of the acquisition of a 30% interest in Power Insight Investments Limited by Max Cyber Development Inc. from the Vendors for a total consideration of HK$60,000,000;

(e) an agreement dated 12 August 2002 entered into between Max Cyber Development Inc., eCyberChina Holdings Limited and Prospect Technology Limited pursuant to which, inter alia, Max Cyber Development Inc. agreed to sell, eCyberChina Holdings Limited agreed to procure the purchase of and Prospect Technology Limited agreed to purchase 24,500 shares of US$1.00 each in Masterful Resources Limited, representing 49% of the issued share capital of Masterful Resources Limited for a consideration of HK$56,800,000;

(f) the underwriting agreement dated 9 November 2002 entered into between the Company and Kingsway SW Securities Limited in relation to the underwriting and certain other arrangements in respect of the proposed issue of offer shares (with bonus shares) to the qualifying shareholders at a price of HK$0.25 per offer share; and

(g) the Underwriting Agreement.

8. LITIGATION

So far as the Directors are aware, as at the Latest Practicable Date, neither the Company nor any subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was pending or threatened against the Company or any of its subsidiaries.

9. QUALIFICATION

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

Name	Qualification
Chateron Corporate Finance Limited	Licensed corporation under the transitional arrangements to carry out Type 6 regulated activity for the purposes of the SFO

Chateron is not beneficially interested in the share capital of any member of the Group nor has any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group and does not have any interest, either directly or indirectly, in any assets which have been, since the date to which the latest published audited financial statements of the Company were made up, acquired or disposed or by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

10. CONSENT

Chateron has given and has not withdrawn its written consent to the issue of this circular with inclusion of its letter, report or certificate or summary of its opinion (as the case may be) and references to its names in the form and context in which they appear herein.

11. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2003, the date to which the latest published audited financial statements of the Company were made up.

12. GENERAL

a) The secretary of the Company is Mr. Lam Kwok Wah, *AHKSA, AICPA*.

b) The English text of this circular shall prevail over the Chinese text.

c) Save as disclosed above, no contracts of significance, to which the Company or any of its subsidiaries was a party, in which a Director had a material interest and which was significant in relation to the business of the Group, subsisted as at the Latest Practicable Date.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Deacons at 3rd to 7th, 18th and 29th Floors, Alexandra House, 16-20 Chater Road, Central, Hong Kong during normal office hours on any weekday, except public holidays, from the date of this circular up to and including 28 November 2003;

a) the memorandum and articles of association of the Company;

b) the annual report of the Group for each of the three years ended 31 March 2001, 2002 and 2003;

c) the letter of advice from Chateron to the Independent Board Committee, the text of which is set out on pages 21 to 54 of this circular;

d) the letter of consent from Chateron referred to in paragraph 10 of this appendix;

e) the letter of recommendation addressed to the Independent Shareholders from the Independent Board Committee, the text of which is set out on page 20 of this circular;

f) the Underwriting Agreement; and

g) the contracts (other than the Underwriting Agreement) referred to in the section headed "Material contracts" in paragraph 7 of this Appendix.

GOLDBOND GROUP HOLDINGS LIMITED
金榜集團控股有限公司

(Incorporated in Hong Kong with limited liability)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Goldbond Group Holdings Limited (the "**Company**") will be held at Kennedy Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong at 10:00 a.m. on 28 November 2003 for the purpose of considering and, if thought fit, passing the following resolutions, which will be proposed as ordinary resolutions of the Company:

ORDINARY RESOLUTION

1. "**THAT** conditional upon (i) the Listing Committee of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") granting or agreeing to grant (subject to allotment) and not having revoked the listing of, and permission to deal in, the Offer Shares (as defined below) in their fully-paid forms to be allotted and issued to the ordinary shareholders of Goldbond Group Holdings Limited (the "**Company**") pursuant to the terms and conditions of the Open Offer (as defined below); (ii) the registration of all documents relating to the Open Offer required by law to be registered with the Registrar of Companies in Hong Kong; and (iii) the obligations of Allied Luck Trading Limited and Ace Solomon Investments Limited (collectively, the "**Underwriters**") under the underwriting agreement (the "**Underwriting Agreement**" a copy of which has been produced to the meeting marked "A" and signed by the chairman of the meeting for the purpose of identification) dated 17 October 2003 becoming unconditional and the Underwriting Agreement not being terminated in accordance with the terms thereof on or before 4:00 p.m. on 18 December 2003:

   (a) the issue by way of an open offer (the "**Open Offer**") of not less than 1,325,952,000 new ordinary shares (the "**Offer Shares**") of HK$0.10 each in the capital of the Company to the ordinary shareholders of the Company whose names appear on the register of members of the Company on 28 November 2003 (excluding those shareholders whose registered addresses as shown in the register of members of the Company on that date is outside of Hong Kong and excluding, for the avoidance of doubt, shareholders holding preference shares of HK$0.10 each in the share capital of the Company) on the basis of four Offer Shares for every one ordinary share of HK$0.10 each in the capital of the Company then held and otherwise pursuant to and in accordance with the terms and conditions set out in the circular dated 12 November 2003 despatched to the shareholders of the Company (the "**Circular**" a copy of which has been produced to the meeting marked "B" and signed by the chairman of the meeting for the purpose of identification) be and it is hereby approved;

(b) the directors (the "**Directors**") of the Company be and they are hereby authorised to allot and issue the Offer Shares pursuant to or in connection with the Open Offer notwithstanding that the same may be offered, allotted or issued otherwise than pro rata to the existing ordinary shareholders of the Company and, in particular, the Directors be and they are hereby authorised to make such exclusions or other arrangements in relation to fractional entitlements and overseas shareholders as they deem necessary or expedient having regard to any restrictions or obligations under the laws or regulations of, or determining the extent of any such restrictions, obligations or requirements of any recognised regulatory body or any stock exchange in, any territory applicable to the Company;

(c) the Underwriting Agreement and the transactions contemplated thereby be and the same are hereby approved, confirmed and ratified; and

(d) the Directors be and they are hereby authorised to sign and execute such documents and do all such acts and things incidental to the Open Offer or as they consider necessary or expedient in connection with the implementation of or giving effect to the Open Offer, the Underwriting Agreement and the transactions contemplated thereunder, including the satisfaction or fulfillment of any conditions to which the Underwriting Agreement is subject (subject to such variations which the Directors may consider necessary or desirable and in the best interests of the Company)."

2. "**THAT**:

(a) subject to approval of Ordinary Resolution (1) above, and subject further to paragraph (c) below, pursuant to the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the exercise by the directors (the "**Directors**") of Goldbond Group Holdings Limited (the "**Company**") during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and otherwise deal with unissued ordinary shares (the "**Shares**") of HK$0.10 each in the capital of the Company or securities convertible into Shares and to make or grant offers, agreements and options which might require the exercise of such powers be and the same is hereby generally and unconditionally approved;

(b) the approval in paragraph (a) above shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;

(c) the aggregate nominal amount of ordinary share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to options or otherwise) by the

Directors pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as defined below); or (ii) the exercise of any options granted under the share option scheme of the Company; or (iii) any scrip dividend or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the articles of association of the Company in force from time to time; or (iv) the exercise of rights of subscription or conversion under the terms of any warrants of the Company or any securities which are convertible into Shares, shall not exceed the aggregate of:

(aa) 20 per cent. of the aggregate nominal amount of the ordinary share capital of the Company in issue on the date of the passing of this resolution as enlarged (subject to the completion of the Open Offer (as defined below)) by the allotment and issue of the Offer Shares (as defined below); and

(bb) (if the Directors are so authorised by a separate ordinary resolution of the shareholders of the Company) the nominal amount of any ordinary share capital of the Company repurchased by the Company subsequent to the passing of this resolution as enlarged (subject to the completion of the Open Offer) by the allotment and issue of the Offer Shares (up to a maximum equivalent to 10 per cent. of the aggregate nominal amount of the ordinary share capital of the Company in issue on the date of the passing of this resolution as enlarged by the allotment and issue of the Offer Shares),

and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly;

(d) the general mandate granted to the Directors to exercise the powers of the Company to allot, issue and otherwise deal with Shares as approved by the shareholders of the Company in the annual general meeting held on 29 August 2003 to the extent not already exercised be and is hereby revoked (without prejudice to any valid exercise of such general mandate prior to the passing of this resolution); and

(e) for the purposes of this resolution:

"**Open Offer**" and "**Offer Shares**" have the meanings ascribed to them in the circular of the Company to its shareholders dated 12 November 2003;

"**Relevant Period**" means the period from the date of the passing of this resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law or the articles of association of the Company to be held; and

(iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors by this resolution;

"**Rights Issue**" means an offer of Shares, or offer or issue of warrants, options or other securities giving rights to subscribe for Shares open for a period fixed by the Directors to holders of Shares on the register on a fixed record date in proportion to their then holdings of Shares (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to the Company)."

3. "**THAT**:

(a) subject to approval of Ordinary Resolution (1) above, and subject further to paragraph (b) below, the exercise by the directors (the "**Directors**") of Goldbond Group Holding Limited (the "**Company**") during the Relevant Period (as defined below) of all powers of the Company to purchase ordinary shares (the "**Shares**") of HK$0.10 each in the capital of the Company on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") or any other stock exchange on which the Shares may be listed and recognised by the Securities and Futures Commission of Hong Kong (the "**SFC**") and the Stock Exchange for such purpose, and otherwise in accordance with the rules and regulations of the SFC, the Stock Exchange, and all other applicable laws in this regard, be and the same is hereby generally and unconditionally approved;

(b) the aggregate nominal amount of Shares which may be purchased by the Company pursuant to the approval in paragraph (a) during the Relevant Period shall not exceed 10 per cent. of the aggregate nominal amount of the issued ordinary share capital of the Company as at the date of the passing of this resolution as enlarged (subject to the completion of the Open Offer (as defined below)) by the allotment and issue of the Offer Shares (as defined below) and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly;

(c) the general mandate granted to the Directors to exercise the powers of the Company to purchase the securities of the Company as approved by the shareholders of the Company in the annual general meeting held on 29 August 2003 be and it is hereby revoked (without prejudice to any valid exercise of such general mandate prior to the passing of this resolution);

(D) for the purposes of this resolution:

"**Open Offer**" and "**Offer Shares**" have the meanings ascribed to them in the circular of the Company to its shareholders dated 12 November 2003;

"**Relevant Period**" means the period from the date of the passing of this resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the applicable law or the articles of association of the Company to be held; and

(iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors by this resolution."

4. "**THAT**, the directors of Goldbond Group Holding Limited (the "**Company**") be and they are hereby authorised to exercise the authority referred to in paragraph (a) of resolution numbered 2 above in respect of the share capital of the Company referred to in sub-paragraph (bb) of paragraph (c) of such resolution."

By Order of the Board
Goldbond Group Holdings Limited
Lam Kwok Wah
Company Secretary

Hong Kong, 12 November 2003

Registered Office:
Unit 3902A, 39th Floor, Tower 1
Lippo Centre
89 Queensway
Hong Kong

Notes:

1. A form of proxy for use at the extraordinary general meeting is enclosed herewith.

2. Any member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company.